

Huntsman CORP  
Form 10-Q  
July 27, 2017  
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10 Q

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

| Commission<br>File Number | Exact Name of Registrant as Specified in its Charter,<br>Principal Office Address and Telephone Number    | State of<br>Incorporation<br>or Organization | I.R.S. Employer<br>Identification No. |
|---------------------------|---|--|---------------------------------------|
| 001 32427                 | Huntsman Corporation<br>10003 Woodloch Forest Drive<br>The Woodlands, Texas 77380<br>(281) 719-6000       | Delaware                                     | 42 1648585                            |
| 333 85141                 | Huntsman International LLC<br>10003 Woodloch Forest Drive<br>The Woodlands, Texas 77380<br>(281) 719-6000 | Delaware                                     | 87 0630358                            |

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.

Huntsman Corporation      YES NO  
Huntsman International LLC YES NO

Edgar Filing: Huntsman CORP - Form 10-Q

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

|                            |     |    |
|----------------------------|-----|----|
| Huntsman Corporation       | YES | NO |
| Huntsman International LLC | YES | 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. (Check one):

|                            |                         |                   |  |                           |                         |
|----------------------------|-------------------------|-------------------|--|---------------------------|-------------------------|
| Huntsman Corporation       | Large accelerated filer | Accelerated filer | Non-accelerated filer<br>(Do not check if a smaller reporting company) | Smaller reporting company | Emerging growth company |
| Huntsman International LLC | Large accelerated filer | Accelerated filer | Non-accelerated filer<br>(Do not check if a smaller reporting company) | Smaller reporting company | Emerging Growth company |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

|                            |     |    |
|----------------------------|-----|----|
| Huntsman Corporation       | YES | NO |
| Huntsman International LLC | YES | NO |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

|                            |     |    |
|----------------------------|-----|----|
| Huntsman Corporation       | YES | NO |
| Huntsman International LLC | YES | NO |

---

On July 20, 2017, 240,022,198 shares of common stock of Huntsman Corporation were outstanding and 2,728 units of membership interests of Huntsman International LLC were outstanding. There is no trading market for Huntsman International LLC's units of membership interests. All of Huntsman International LLC's units of membership interests are held by Huntsman Corporation.

---

This Quarterly Report on Form 10-Q presents information for two registrants: Huntsman Corporation and Huntsman International LLC. Huntsman International LLC is a wholly-owned subsidiary of Huntsman Corporation and is the principal operating company of Huntsman Corporation. The information reflected in this Quarterly Report on Form 10-Q is equally applicable to both Huntsman Corporation and Huntsman International LLC, except where otherwise indicated. Huntsman International LLC meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and, to the extent applicable, is therefore filing this form with a reduced disclosure format.



Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10 Q FOR THE QUARTERLY PERIOD

ENDED JUNE 30, 2017

TABLE OF CONTENTS

|                 | Page   |
|-----------------|--|
| <u>PART I</u>   | <u>FINANCIAL INFORMATION</u>   |
| <u>ITEM 1.</u>  | <u>Condensed Consolidated Financial Statements (Unaudited)</u>                               |
|                 | 5  |
|                 | Huntsman Corporation and Subsidiaries:   |
|                 | <u>Condensed Consolidated Balance Sheets</u>   |
|                 | 5  |
|                 | <u>Condensed Consolidated Statements of Operations</u>                                       |
|                 | 6  |
|                 | <u>Condensed Consolidated Statements of Comprehensive Income</u>                             |
|                 | 7  |
|                 | <u>Condensed Consolidated Statements of Equity</u>   |
|                 | 8  |
|                 | <u>Condensed Consolidated Statements of Cash Flows</u>                                       |
|                 | 9  |
|                 | Huntsman International LLC and Subsidiaries:   |
|                 | <u>Condensed Consolidated Balance Sheets</u>   |
|                 | 11   |
|                 | <u>Condensed Consolidated Statements of Operations</u>                                       |
|                 | 12   |
|                 | <u>Condensed Consolidated Statements of Comprehensive Income</u>                             |
|                 | 13   |
|                 | <u>Condensed Consolidated Statements of Equity</u>   |
|                 | 14   |
|                 | <u>Condensed Consolidated Statements of Cash Flows</u>                                       |
|                 | 15   |
|                 | Huntsman Corporation and Subsidiaries and Huntsman International LLC and Subsidiaries:       |
|                 | <u>Notes to Condensed Consolidated Financial Statements</u>                                  |
|                 | 17   |
| <u>ITEM 2.</u>  | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> |
|                 | 56   |
| <u>ITEM 3.</u>  | <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            |
|                 | 76   |
| <u>ITEM 4.</u>  | <u>Controls and Procedures</u>   |
|                 | 77   |
| <u>PART II</u>  | <u>OTHER INFORMATION</u>   |
|                 | 78   |
| <u>ITEM 1.</u>  | <u>Legal Proceedings</u>   |
|                 | 78   |
| <u>ITEM 1A.</u> | <u>Risk Factors</u>  |
|                 | 78   |
| <u>ITEM 2.</u>  | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>                           |
|                 | 82   |
| <u>ITEM 6.</u>  | <u>Exhibits</u>  |
|                 | 83   |

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10 Q FOR THE QUARTERLY PERIOD

ENDED JUNE 30, 2017

FORWARD LOOKING STATEMENTS

Certain information set forth in this report contains “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than historical factual information are forward looking statements, including without limitation statements regarding: projections of revenue, expenses, profit, profit margins, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position or other projected financial measures; management’s plans and strategies for future operations, including statements relating to anticipated operating performance, cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions, divestitures, business separations, spin offs, or other distributions, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into; new or modified laws, regulations and accounting pronouncements; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; foreign currency exchange rates and fluctuations in those rates; general economic and capital markets conditions; the timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that we intend or believe will or may occur in the future. In some cases, forward looking statements can be identified by terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates” or “intends” or negative of such terms or other comparable terminology, or by discussions of strategy. We may also make additional forward looking statements from time to time. All such subsequent forward looking statements, whether written or oral, by us or on our behalf, are also expressly qualified by these cautionary statements.

On May 21, 2017, Huntsman, Clariant and Merger Sub entered into a merger agreement, pursuant to which, subject to the satisfaction or waiver of certain conditions, Merger Sub will merge with and into Huntsman, with Huntsman surviving as a wholly owned subsidiary of Clariant, and Clariant will be renamed HuntsmanClariant. We have operated and, until completion of the merger, will continue to operate independently of Clariant. This report also contains statements about our proposed merger of equals with Clariant resulting in a new combined company, HuntsmanClariant, which include, without limitation, statements about the anticipated benefits of the merger, including future financial and operating results and expected synergies and cost savings related to the merger, the plans, objectives, expectations and intentions of Clariant, Huntsman or the combined company, the expected timing of the completion of the merger and information relating to the proposed initial public offering of ordinary shares of Venator Materials PLC. Such statements are based on the current expectations of the management of Clariant or Huntsman, as applicable, are qualified by the inherent risks and uncertainties surrounding future expectations generally, and actual results could differ materially from those currently anticipated due to a number of risks and uncertainties. Neither Clariant nor Huntsman, nor any of their respective directors, executive officers or advisors, provide any representation, assurance or guarantee that the occurrence of the events expressed or implied in any

forward-looking statements will actually occur. Risks and uncertainties that could cause results to differ from expectations include: uncertainties as to the timing of the merger; uncertainties as to the approval of Huntsman's stockholders and Clariant's shareholders required in connection with the merger; the possibility that a competing proposal will be made; the possibility that the closing conditions to the merger may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant a necessary regulatory approval; the effects of disruption caused by the announcement of the merger making it more difficult to maintain relationships with employees, customers, vendors and other business partners; the risk that stockholder litigation in connection with the merger may affect the timing or occurrence of the merger or result in significant costs of defense, indemnification and liability; ability to refinance existing indebtedness of Clariant or Huntsman in connection with the merger; other business effects, including the effects of industry, economic or political conditions outside of the control of the parties to the merger; transaction costs; actual or contingent liabilities; disruptions to the financial or capital markets, including with respect to the initial public offering of ordinary shares by Venator or financing activities related to the merger; and any delay of, or other negative developments, affecting the Separation.

All forward looking statements, including without limitation management's examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them, but there can be no assurance that

Table of Contents

management's expectations, beliefs and projections will result or be achieved. All forward looking statements apply only as of the date made. We undertake no obligation to publicly update or revise forward looking statements whether because of new information, future events or otherwise, except as required by securities and other applicable law.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward looking statements contained in or contemplated by this report. Any forward looking statements should be considered in light of the risks set forth in "Part II. Item 1A. Risk Factors" below and "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10 K for the year ended December 31, 2016.

4

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## HUNTSMAN CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In Millions, Except Share and Per Share Amounts)

|   | June 30,<br>2017 | December 31,<br>2016 |
|---|------------------|----------------------|
| <b>ASSETS</b>   |                  |                      |
| Current assets:   |                  |                      |
| Cash and cash equivalents(a)  | \$ 509           | \$ 414               |
| Restricted cash(a)  | 11               | 11                   |
| Accounts and notes receivable (net of allowance for doubtful accounts of \$28 and \$27, respectively), (\$369 and \$437 pledged as collateral, respectively)(a) | 1,586            | 1,402                |
| Accounts receivable from affiliates   | 43               | 33                   |
| Inventories(a)  | 1,520            | 1,344                |
| Prepaid expenses  | 58               | 60                   |
| Other current assets(a)   | 253              | 291                  |
| Total current assets  | 3,980            | 3,555                |
| Property, plant and equipment, net(a)   | 4,228            | 4,212                |
| Investment in unconsolidated affiliates   | 325              | 332                  |
| Intangible assets, net(a)   | 79               | 66                   |
| Goodwill  | 137              | 121                  |
| Deferred income taxes   | 431              | 396                  |
| Other noncurrent assets(a)  | 508              | 507                  |
| Total assets  | \$ 9,688         | \$ 9,189             |
| <b>LIABILITIES AND EQUITY</b>   |                  |                      |
| Current liabilities:  |                  |                      |
| Accounts payable(a)   | \$ 1,138         | \$ 1,071             |
| Accounts payable to affiliates  | 32               | 31                   |
| Accrued liabilities(a)  | 669              | 616                  |
| Current portion of debt(a)  | 44               | 60                   |
| Total current liabilities   | 1,883            | 1,778                |
| Long-term debt(a)   | 4,072            | 4,135                |
| Notes payable to affiliates   | —                | 1                    |
| Deferred income taxes   | 454              | 427                  |
| Other noncurrent liabilities(a)   | 1,401            | 1,381                |
| Total liabilities   | 7,810            | 7,722                |
| Commitments and contingencies (Notes 13 and 14)   |                  |                      |



## Equity

## Huntsman Corporation stockholders' equity:

|  |          |          |
|--|----------|----------|
| Common stock \$0.01 par value, 1,200,000,000 shares authorized, 252,549,390 and 250,802,175 shares issued and 238,427,254 and 236,370,347 shares outstanding, respectively | 3        | 3        |
| Additional paid-in capital   | 3,511    | 3,447    |
| Treasury stock, 12,607,223 shares  | (150)    | (150)    |
| Unearned stock-based compensation  | (25)     | (17)     |
| Accumulated deficit  | (164)    | (325)    |
| Accumulated other comprehensive loss   | (1,508)  | (1,671)  |
| Total Huntsman Corporation stockholders' equity  | 1,667    | 1,287    |
| Noncontrolling interests in subsidiaries   | 211      | 180      |
| Total equity   | 1,878    | 1,467    |
| Total liabilities and equity   | \$ 9,688 | \$ 9,189 |

- (a) At June 30, 2017 and December 31, 2016, respectively, \$32 and \$25 of cash and cash equivalents, \$10 each of restricted cash, \$35 and \$27 of accounts and notes receivable (net), \$51 and \$46 of inventories, \$5 each of other current assets, \$274 and \$284 of property, plant and equipment (net), \$39 and \$31 of intangible assets (net), \$38 and \$37 of other noncurrent assets, \$82 and \$90 of accounts payable, \$33 and \$34 of accrued liabilities, \$21 and \$14 of current portion of debt, \$104 and \$114 of long term debt, and \$78 and \$76 of other noncurrent liabilities from consolidated variable interest entities are included in the respective balance sheet captions above. See "Note 5. Variable Interest Entities."

See accompanying notes to condensed consolidated financial statements.

Table of Contents

## HUNTSMAN CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Millions, Except Per Share Amounts)

|  | Three months<br>ended<br>June 30, |          | Six months<br>ended<br>June 30, |          |
|--|-----------------------------------|----------|---------------------------------|----------|
|  | 2017                              | 2016     | 2017                            | 2016     |
| Revenues:  |                                   |          |                                 |          |
| Trade sales, services and fees, net  | \$ 2,582                          | \$ 2,512 | \$ 5,010                        | \$ 4,833 |
| Related party sales  | 34                                | 32       | 75                              | 66       |
| Total revenues   | 2,616                             | 2,544    | 5,085                           | 4,899    |
| Cost of goods sold   | 2,095                             | 2,087    | 4,098                           | 4,026    |
| Gross profit   | 521                               | 457      | 987                             | 873      |
| Operating expenses:  |                                   |          |                                 |          |
| Selling, general and administrative  | 227                               | 234      | 455                             | 457      |
| Research and development   | 38                                | 39       | 75                              | 76       |
| Restructuring, impairment and plant closing costs  | 10                                | 29       | 46                              | 42       |
| Business separation expenses   | 12                                | —        | 21                              | —        |
| Merger costs   | 6                                 | —        | 6                               | —        |
| Other operating income, net  | (47)                              | (21)     | (53)                            | (16)     |
| Total expenses   | 246                               | 281      | 550                             | 559      |
| Operating income   | 275                               | 176      | 437                             | 314      |
| Interest expense   | (47)                              | (50)     | (95)                            | (100)    |
| Equity in income of investment in unconsolidated affiliates  | 3                                 | 2        | 3                               | 3        |
| Loss on early extinguishment of debt   | (1)                               | (2)      | (1)                             | (2)      |
| Other (loss) income, net   | (1)                               | 1        | 1                               | 2        |
| Income from continuing operations before income taxes  | 229                               | 127      | 345                             | 217      |
| Income tax expense   | (45)                              | (32)     | (68)                            | (59)     |
| Income from continuing operations  | 184                               | 95       | 277                             | 158      |
| Loss from discontinued operations  | (1)                               | (1)      | (2)                             | (2)      |
| Net income   | 183                               | 94       | 275                             | 156      |
| Net income attributable to noncontrolling interests  | (16)                              | (7)      | (32)                            | (13)     |
| Net income attributable to Huntsman Corporation  | \$ 167                            | \$ 87    | \$ 243                          | \$ 143   |
| Basic income (loss) per share:   |                                   |          |                                 |          |
| Income from continuing operations attributable to Huntsman Corporation common stockholders             | \$ 0.70                           | \$ 0.37  | \$ 1.03                         | \$ 0.62  |
| Loss from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax | —                                 | —        | (0.01)                          | (0.01)   |
| Net income attributable to Huntsman Corporation common stockholders                                    | \$ 0.70                           | \$ 0.37  | \$ 1.02                         | \$ 0.61  |

Edgar Filing: Huntsman CORP - Form 10-Q

|  |          |          |         |         |
|--|----------|----------|---------|---------|
| Weighted average shares  | 238.3    | 236.3    | 237.8   | 236.2   |
| Diluted income (loss) per share:   |          |          |         |         |
| Income from continuing operations attributable to Huntsman Corporation common stockholders             | \$ 0.69  | \$ 0.36  | \$ 1.01 | \$ 0.61 |
| Loss from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax | —        | —        | (0.01)  | (0.01)  |
| Net income attributable to Huntsman Corporation common stockholders                                    | \$ 0.69  | \$ 0.36  | \$ 1.00 | \$ 0.60 |
| Weighted average shares  | 243.7    | 239.5    | 243.2   | 238.3   |
| Amounts attributable to Huntsman Corporation common stockholders:                                      |          |          |         |         |
| Income from continuing operations  | \$ 168   | \$ 88    | \$ 245  | \$ 145  |
| Loss from discontinued operations, net of tax  | (1)      | (1)      | (2)     | (2)     |
| Net income   | \$ 167   | \$ 87    | \$ 243  | \$ 143  |
| Dividends per share  | \$ 0.125 | \$ 0.125 | \$ 0.25 | \$ 0.25 |
| See accompanying notes to condensed consolidated financial statements.                                 |          |          |         |         |

6

---

Table of Contents

## HUNTSMAN CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Millions)

|   | Three months<br>ended<br>June 30, |       | Six months<br>ended<br>June 30, |        |
|---|-----------------------------------|-------|---------------------------------|--------|
|   | 2017                              | 2016  | 2017                            | 2016   |
| Net income  | \$ 183                            | \$ 94 | \$ 275                          | \$ 156 |
| Other comprehensive income (loss), net of tax:                |                                   |       |                                 |        |
| Foreign currency translations adjustments                     | 58                                | (53)  | 135                             | (26)   |
| Pension and other postretirement benefits adjustments         | 19                                | 11    | 37                              | 24     |
| Other, net  | (4)                               | 5     | (2)                             | (6)    |
| Other comprehensive income (loss), net of tax                 | 73                                | (37)  | 170                             | (8)    |
| Comprehensive income  | 256                               | 57    | 445                             | 148    |
| Comprehensive income attributable to noncontrolling interests | (21)                              | (5)   | (39)                            | (13)   |
| Comprehensive income attributable to Huntsman Corporation     | \$ 235                            | \$ 52 | \$ 406                          | \$ 135 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

## HUNTSMAN CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In Millions, Except Share Amounts)

|   | Huntsman Corporation Stockholders' Equity |                 |                                  |                   |   |                        |   | Noncontrolling<br>interests in<br>subsidiaries | Total<br>equity |
|---|---|-----------------|----------------------------------|-------------------|---|------------------------|---|--|-----------------|
|   | Shares<br>Common<br>stock                 | Common<br>stock | Additional<br>paid-in<br>capital | Treasury<br>stock | Unearned<br>stock-based<br>compensation | Accumulated<br>deficit | Accumulated<br>other<br>comprehensive<br>loss |  |                 |
| Balance,<br>January 1, 2017                         | 236,370,347                               | \$ 3            | \$ 3,447                         | \$ (150)          | \$ (17)                                 | \$ (325)               | \$ (1,671)                                    | \$ 180   | \$ 1,467        |
| Net income  | —   | —               | —                                | —                 | —                                       | 243                    | —   | 32   | 275             |
| Other<br>comprehensive<br>income                    | —   | —               | —                                | —                 | —                                       | —                      | 163   | 7  | 170             |
| Issuance of<br>nonvested<br>stock awards            | —   | —               | 17                               | —                 | (17)                                    | —                      | —   | —  | —               |
| Vesting of<br>stock awards                          | 1,162,963                                 | —               | 8                                | —                 | —                                       | —                      | —   | —  | 8               |
| Recognition of<br>stock-based<br>compensation       | —   | —               | 5                                | —                 | 9                                       | —                      | —   | —  | 14              |
| Repurchase and<br>cancellation of<br>stock awards   | (344,918)                                 | —               | —                                | —                 | —                                       | (8)                    | —   | —  | (8)             |
| Contribution<br>from<br>noncontrolling<br>interests | —   | —               | —                                | —                 | —                                       | —                      | —   | 2  | 2               |
| Dividends paid<br>to<br>noncontrolling<br>interests | —   | —               | —                                | —                 | —                                       | —                      | —   | (10)   | (10)            |
| Stock options<br>exercised                          | 1,238,862                                 | —               | 34                               | —                 | —                                       | (14)                   | —   | —  | 20              |
| Dividends<br>declared on<br>common stock            | —   | —               | —                                | —                 | —                                       | (60)                   | —   | —  | (60)            |
| Balance,<br>June 30, 2017                           | 238,427,254                               | \$ 3            | \$ 3,511                         | \$ (150)          | \$ (25)                                 | \$ (164)               | \$ (1,508)                                    | \$ 211   | \$ 1,878        |
| Balance,<br>January 1, 2016                         | 237,080,026                               | \$ 3            | \$ 3,407                         | \$ (135)          | \$ (17)                                 | \$ (528)               | \$ (1,288)                                    | \$ 187   | \$ 1,629        |

## Edgar Filing: Huntsman CORP - Form 10-Q

|  |             |      |          |          |         |          |            |        |          |
|--|-------------|------|----------|----------|---------|----------|------------|--------|----------|
| Net income   | —           | —    | —        | —        | —       | 143      | —          | 13     | 156      |
| Other comprehensive loss                                 | —           | —    | —        | —        | —       | —        | (8)        | —      | (8)      |
| Issuance of nonvested stock awards                       | —           | —    | 17       | —        | (17)    | —        | —          | —      | —        |
| Vesting of stock awards                                  | 886,555     | —    | 2        | —        | —       | —        | —          | —      | 2        |
| Recognition of stock-based compensation                  | —           | —    | 5        | —        | 10      | —        | —          | —      | 15       |
| Repurchase and cancellation of stock awards              | (246,663)   | —    | —        | —        | —       | (2)      | —          | —      | (2)      |
| Dividends paid to noncontrolling interests               | —           | —    | —        | —        | —       | —        | —          | (21)   | (21)     |
| Stock options exercised                                  | 22,854      | —    | —        | —        | —       | —        | —          | —      | —        |
| Treasury stock repurchased                               | (1,444,769) | —    | 15       | (15)     | —       | —        | —          | —      | —        |
| Excess tax shortfall related to stock-based compensation | —           | —    | (3)      | —        | —       | —        | —          | —      | (3)      |
| Dividends declared on common stock                       | —           | —    | —        | —        | —       | (60)     | —          | —      | (60)     |
| Balance, June 30, 2016                                   | 236,298,003 | \$ 3 | \$ 3,443 | \$ (150) | \$ (24) | \$ (447) | \$ (1,296) | \$ 179 | \$ 1,708 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

## HUNTSMAN CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

|   | Six months<br>ended<br>June 30, |        |
|---|---------------------------------|--------|
|   | 2017                            | 2016   |
| Operating Activities:   |                                 |        |
| Net income  | \$ 275                          | \$ 156 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |        |
| Equity in income of investment in unconsolidated affiliates                       | (3)                             | (3)    |
| Depreciation and amortization   | 214                             | 209    |
| (Gain) loss on disposal of businesses/assets, net                                 | (6)                             | 2      |
| Loss on early extinguishment of debt  | 1                               | 2      |
| Noncash interest expense  | 6                               | 8      |
| Noncash restructuring and impairment charges                                      | 8                               | 9      |
| Deferred income taxes   | 22                              | 52     |
| Noncash gain on foreign currency transactions                                     | (6)                             | —      |
| Stock-based compensation  | 19                              | 17     |
| Insurance proceeds for business interruption, net of gain on recovery             | 28                              | —      |
| Other, net  | 4                               | (9)    |
| Changes in operating assets and liabilities:                                      |                                 |        |
| Accounts and notes receivable   | (148)                           | (90)   |
| Inventories   | (125)                           | 177    |
| Prepaid expenses  | 3                               | 14     |
| Other current assets  | 47                              | 22     |
| Other noncurrent assets   | (11)                            | (36)   |
| Accounts payable  | 73                              | (56)   |
| Accrued liabilities   | (7)                             | (39)   |
| Other noncurrent liabilities  | —                               | 8      |
| Net cash provided by operating activities   | 394                             | 443    |
| Investing Activities:   |                                 |        |
| Capital expenditures  | (147)                           | (189)  |
| Insurance proceeds for recovery of property damage                                | 50                              | 8      |
| Cash received from unconsolidated affiliates                                      | 27                              | 19     |
| Investment in unconsolidated affiliates   | (19)                            | (14)   |
| Acquisition of business, net of cash acquired                                     | (14)                            | —      |
| Proceeds from sale of businesses/assets   | 19                              | —      |
| Change in restricted cash   | —                               | 2      |
| Other, net  | 1                               | —      |
| Net cash used in investing activities   | (83)                            | (174)  |

(Continued)

9

---



Table of Contents

## HUNTSMAN CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Millions)

|  | Six months<br>ended<br>June 30, |        |
|--|---------------------------------|--------|
|  | 2017                            | 2016   |
| Financing Activities:                            |                                 |        |
| Net repayments under revolving loan facilities   | \$ (36)                         | \$ —   |
| Net repayments on overdraft facilities           | —                               | (1)    |
| Repayments of short-term debt                    | (8)                             | (18)   |
| Borrowings on short-term debt                    | 4                               | 6      |
| Repayments of long-term debt                     | (122)                           | (582)  |
| Proceeds from issuance of long-term debt         | 10                              | 547    |
| Repayments of notes payable                      | (13)                            | (16)   |
| Borrowings on notes payable                      | —                               | 2      |
| Debt issuance costs paid                         | (3)                             | (8)    |
| Dividends paid to noncontrolling interests       | (10)                            | (21)   |
| Contribution from noncontrolling interests       | 2                               | —      |
| Dividends paid to common stockholders            | (60)                            | (60)   |
| Repurchase and cancellation of stock awards      | (8)                             | (2)    |
| Proceeds from issuance of common stock           | 20                              | —      |
| Net cash used in financing activities            | (224)                           | (153)  |
| Effect of exchange rate changes on cash          | 8                               | —      |
| Increase in cash and cash equivalents            | 95                              | 116    |
| Cash and cash equivalents at beginning of period | 414                             | 257    |
| Cash and cash equivalents at end of period       | \$ 509                          | \$ 373 |
| Supplemental cash flow information:              |                                 |        |
| Cash paid for interest                           | \$ 92                           | \$ 103 |
| Cash (received) paid for income taxes            | (57)                            | 21     |

As of June 30, 2017 and 2016, the amount of capital expenditures in accounts payable was \$50 million and \$59 million, respectively.

See accompanying notes to condensed consolidated financial statements.



Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In Millions)

|   | June 30,<br>2017 | December 31,<br>2016 |
|---|------------------|----------------------|
| <b>ASSETS</b>   |                  |                      |
| Current assets:   |                  |                      |
| Cash and cash equivalents(a)  | \$ 506           | \$ 413               |
| Restricted cash(a)  | 11               | 11                   |
| Accounts and notes receivable (net of allowance for doubtful accounts of \$28 and \$27, respectively), (\$369 and \$437 pledged as collateral, respectively)(a) | 1,584            | 1,402                |
| Accounts receivable from affiliates   | 369              | 347                  |
| Inventories(a)  | 1,520            | 1,344                |
| Prepaid expenses  | 57               | 60                   |
| Other current assets(a)   | 250              | 286                  |
| Total current assets  | 4,297            | 3,863                |
| Property, plant and equipment, net(a)   | 4,211            | 4,190                |
| Investment in unconsolidated affiliates   | 325              | 332                  |
| Intangible assets, net(a)   | 80               | 66                   |
| Goodwill  | 137              | 121                  |
| Deferred income taxes   | 431              | 396                  |
| Other noncurrent assets(a)  | 509              | 507                  |
| Total assets  | \$ 9,990         | \$ 9,475             |
| <b>LIABILITIES AND EQUITY</b>   |                  |                      |
| Current liabilities:  |                  |                      |
| Accounts payable(a)   | \$ 1,138         | \$ 1,070             |
| Accounts payable to affiliates  | 75               | 66                   |
| Accrued liabilities(a)  | 667              | 613                  |
| Notes payable to affiliates   | 100              | 100                  |
| Current portion of debt(a)  | 44               | 60                   |
| Total current liabilities   | 2,024            | 1,909                |
| Long-term debt(a)   | 4,072            | 4,135                |
| Notes payable to affiliates   | 714              | 697                  |
| Deferred income taxes   | 450              | 423                  |
| Other noncurrent liabilities(a)   | 1,398            | 1,375                |
| Total liabilities   | 8,658            | 8,539                |
| Commitments and contingencies (Notes 13 and 14)   |                  |                      |
| Equity  |                  |                      |
| Huntsman International LLC members' equity:   |                  |                      |
| Members' equity, 2,728 units issued and outstanding   | 3,244            | 3,226                |
| Accumulated deficit   | (598)            | (779)                |
| Accumulated other comprehensive loss  | (1,525)          | (1,691)              |

Edgar Filing: Huntsman CORP - Form 10-Q

|  |          |          |
|--|----------|----------|
| Total Huntsman International LLC members' equity | 1,121    | 756      |
| Noncontrolling interests in subsidiaries         | 211      | 180      |
| Total equity                                     | 1,332    | 936      |
| Total liabilities and equity                     | \$ 9,990 | \$ 9,475 |

---

(a) At June 30, 2017 and December 31, 2016, respectively, \$32 and \$25 of cash and cash equivalents, \$10 each of restricted cash, \$35 and \$27 of accounts and notes receivable (net), \$51 and \$46 of inventories, \$5 of other current assets, \$274 and \$284 of property, plant and equipment (net), \$39 and \$31 of intangible assets (net), \$38 and \$37 of other noncurrent assets, \$82 and \$90 of accounts payable, \$33 and \$34 of accrued liabilities, \$21 and \$14 of current portion of debt, \$104 and \$114 of long term debt, and \$78 and \$76 of other noncurrent liabilities from consolidated variable interest entities are included in the respective balance sheet captions above. See "Note 5. Variable Interest Entities."

See accompanying notes to condensed consolidated financial statements.

Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Millions)

|   | Three months<br>ended<br>June 30, |          | Six months<br>ended<br>June 30, |          |
|---|-----------------------------------|----------|---------------------------------|----------|
|   | 2017                              | 2016     | 2017                            | 2016     |
| Revenues:   |                                   |          |                                 |          |
| Trade sales, services and fees, net                         | \$ 2,582                          | \$ 2,512 | \$ 5,010                        | \$ 4,833 |
| Related party sales   | 34                                | 32       | 75                              | 66       |
| Total revenues  | 2,616                             | 2,544    | 5,085                           | 4,899    |
| Cost of goods sold  | 2,094                             | 2,086    | 4,096                           | 4,024    |
| Gross profit  | 522                               | 458      | 989                             | 875      |
| Operating expenses:   |                                   |          |                                 |          |
| Selling, general and administrative                         | 226                               | 234      | 452                             | 455      |
| Research and development                                    | 38                                | 39       | 75                              | 76       |
| Restructuring, impairment and plant closing costs           | 10                                | 29       | 46                              | 42       |
| Business separation expenses                                | 12                                | —        | 21                              | —        |
| Merger costs  | 6                                 | —        | 6                               | —        |
| Other operating income, net                                 | (48)                              | (21)     | (53)                            | (16)     |
| Total expenses  | 244                               | 281      | 547                             | 557      |
| Operating income  | 278                               | 177      | 442                             | 318      |
| Interest expense  | (51)                              | (53)     | (102)                           | (106)    |
| Equity in income of investment in unconsolidated affiliates | 3                                 | 2        | 3                               | 3        |
| Loss on early extinguishment of debt                        | (1)                               | (2)      | (1)                             | (2)      |
| Other (loss) income, net                                    | (2)                               | 1        | —                               | 2        |
| Income from continuing operations before income taxes       | 227                               | 125      | 342                             | 215      |
| Income tax expense  | (44)                              | (31)     | (67)                            | (58)     |
| Income from continuing operations                           | 183                               | 94       | 275                             | 157      |
| Loss from discontinued operations, net of tax               | (1)                               | (1)      | (2)                             | (2)      |
| Net income  | 182                               | 93       | 273                             | 155      |
| Net income attributable to noncontrolling interests         | (16)                              | (7)      | (32)                            | (13)     |
| Net income attributable to Huntsman International LLC       | \$ 166                            | \$ 86    | \$ 241                          | \$ 142   |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Millions)

|   | Three months<br>ended<br>June 30, |       | Six months<br>ended<br>June 30, |        |
|---|-----------------------------------|-------|---------------------------------|--------|
|   | 2017                              | 2016  | 2017                            | 2016   |
| Net income  | \$ 182                            | \$ 93 | \$ 273                          | \$ 155 |
| Other comprehensive income (loss), net of tax:                  |                                   |       |                                 |        |
| Foreign currency translations adjustment                        | 57                                | (54)  | 134                             | (26)   |
| Pension and other postretirement benefits adjustments           | 21                                | 11    | 41                              | 26     |
| Other, net  | (4)                               | 6     | (2)                             | (5)    |
| Other comprehensive income (loss), net of tax                   | 74                                | (37)  | 173                             | (5)    |
| Comprehensive income  | 256                               | 56    | 446                             | 150    |
| Comprehensive income attributable to noncontrolling interests   | (21)                              | (5)   | (39)                            | (13)   |
| Comprehensive income attributable to Huntsman International LLC | \$ 235                            | \$ 51 | \$ 407                          | \$ 137 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In Millions, Except Unit Amounts)

|  | Huntsman International LLC Members |          | Accumulated deficit | Accumulated other comprehensive loss | Noncontrolling interests in subsidiaries | Total equity |
|--|------------------------------------|----------|---------------------|--------------------------------------|--|--------------|
|  | Members' equity                    | Amount   |                     |                                      |  |              |
| Balance, January 1, 2017                                 | 2,728                              | \$ 3,226 | \$ (779)            | \$ (1,691)                           | \$ 180                                   | \$ 936       |
| Net income   | —                                  | —        | 241                 | —                                    | 32                                       | 273          |
| Dividends paid to parent                                 | —                                  | —        | (60)                | —                                    | —  | (60)         |
| Other comprehensive income                               | —                                  | —        | —                   | 166                                  | 7  | 173          |
| Contribution from parent                                 | —                                  | 18       | —                   | —                                    | —  | 18           |
| Contribution from noncontrolling interests               | —                                  | —        | —                   | —                                    | 2  | 2            |
| Dividends paid to noncontrolling interests               | —                                  | —        | —                   | —                                    | (10)                                     | (10)         |
| Balance, June 30, 2017                                   | 2,728                              | \$ 3,244 | \$ (598)            | \$ (1,525)                           | \$ 211                                   | \$ 1,332     |
| Balance, January 1, 2016                                 | 2,728                              | \$ 3,196 | \$ (983)            | \$ (1,316)                           | \$ 187                                   | \$ 1,084     |
| Net income   | —                                  | —        | 142                 | —                                    | 13                                       | 155          |
| Dividends paid to parent                                 | —                                  | —        | (60)                | —                                    | —  | (60)         |
| Other comprehensive loss                                 | —                                  | —        | —                   | (5)                                  | —  | (5)          |
| Contribution from parent                                 | —                                  | 16       | —                   | —                                    | —  | 16           |
| Dividends paid to noncontrolling interests               | —                                  | —        | —                   | —                                    | (21)                                     | (21)         |
| Excess tax shortfall related to stock-based compensation | —                                  | (3)      | —                   | —                                    | —  | (3)          |
| Balance, June 30, 2016                                   | 2,728                              | \$ 3,209 | \$ (901)            | \$ (1,321)                           | \$ 179                                   | \$ 1,166     |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

|   | Six months<br>ended<br>June 30, |        |
|---|---------------------------------|--------|
|   | 2017                            | 2016   |
| Operating Activities:   |                                 |        |
| Net income  | \$ 273                          | \$ 155 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |        |
| Equity in income of investment in unconsolidated affiliates                       | (3)                             | (3)    |
| Depreciation and amortization   | 208                             | 203    |
| (Gain) loss on disposal of businesses/assets, net                                 | (6)                             | 2      |
| Loss on early extinguishment of debt  | 1                               | 2      |
| Noncash interest expense  | 13                              | 13     |
| Noncash restructuring and impairment charges                                      | 8                               | 9      |
| Deferred income taxes   | 22                              | 53     |
| Noncash gain on foreign currency transactions                                     | (6)                             | —      |
| Noncash compensation  | 18                              | 16     |
| Insurance proceeds for business interruption, net of gain on recovery             | 28                              | —      |
| Other, net  | 3                               | (9)    |
| Changes in operating assets and liabilities:                                      |                                 |        |
| Accounts and notes receivable   | (146)                           | (90)   |
| Inventories   | (125)                           | 177    |
| Prepaid expenses  | 3                               | 15     |
| Other current assets  | 46                              | 22     |
| Other noncurrent assets   | (11)                            | (36)   |
| Accounts payable  | 66                              | (62)   |
| Accrued liabilities   | (7)                             | (38)   |
| Other noncurrent liabilities  | 4                               | 12     |
| Net cash provided by operating activities   | 389                             | 441    |
| Investing Activities:   |                                 |        |
| Capital expenditures  | (147)                           | (189)  |
| Insurance proceeds for recovery of property damage                                | 50                              | 8      |
| Cash received from unconsolidated affiliates                                      | 27                              | 19     |
| Investment in unconsolidated affiliates   | (19)                            | (14)   |
| Acquisition of business, net of cash acquired                                     | (14)                            | —      |
| Proceeds from sale of businesses/assets   | 19                              | —      |
| Increase in receivable from affiliate   | (4)                             | —      |
| Change in restricted cash   | —                               | 2      |
| Other, net  | 2                               | —      |
| Net cash used in investing activities   | (86)                            | (174)  |



(Continued)

15

---

Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Millions)

|  | Six months<br>ended<br>June 30, |        |
|--|---------------------------------|--------|
|  | 2017                            | 2016   |
| Financing Activities:                                  |                                 |        |
| Net repayments under revolving loan facilities         | \$ (36)                         | \$ —   |
| Net repayments on overdraft facilities                 | —                               | \$ (1) |
| Repayments of short-term debt                          | (8)                             | (18)   |
| Borrowings on short-term debt                          | 4                               | 6      |
| Repayments of long-term debt                           | (122)                           | (582)  |
| Proceeds from issuance of long-term debt               | 10                              | 547    |
| Repayments of notes payable to affiliate               | —                               | (1)    |
| Proceeds from issuance of notes payable from affiliate | 18                              | —      |
| Repayments of notes payable                            | (13)                            | (16)   |
| Borrowings on notes payable                            | —                               | 2      |
| Debt issuance costs paid                               | (3)                             | (8)    |
| Dividends paid to noncontrolling interests             | (10)                            | (21)   |
| Contribution from noncontrolling interests             | 2                               | —      |
| Dividends paid to parent                               | (60)                            | (60)   |
| Other, net   | —                               | 1      |
| Net cash used in financing activities                  | (218)                           | (151)  |
| Effect of exchange rate changes on cash                | 8                               | —      |
| Increase in cash and cash equivalents                  | 93                              | 116    |
| Cash and cash equivalents at beginning of period       | 413                             | 257    |
| Cash and cash equivalents at end of period             | \$ 506                          | \$ 373 |
| Supplemental cash flow information:                    |                                 |        |
| Cash paid for interest                                 | \$ 92                           | \$ 103 |
| Cash (received) paid for income taxes                  | (57)                            | 21     |

As of June 30, 2017 and 2016, the amount of capital expenditures in accounts payable was \$50 million and \$59 million, respectively. During the six months ended June 30, 2017 and 2016, Huntsman Corporation contributed \$18 million and \$16 million, respectively, related to stock-based compensation.

See accompanying notes to condensed consolidated financial statements.



Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

CERTAIN DEFINITIONS

For convenience in this report, the terms “Company,” “Huntsman,” “our,” “us” or “we” may be used to refer to Huntsman Corporation and, unless the context otherwise requires, its subsidiaries and predecessors. In this report, “Huntsman International” refers to Huntsman International LLC (our wholly owned subsidiary) and, unless the context otherwise requires, its subsidiaries; “Clariant” refers to Clariant Ltd; “HuntsmanClariant” refers to the combined company following the consummation of the merger among the Company, Clariant and Merger Sub; and “Venator” refers to Venator Materials PLC and its subsidiaries, which will contain our Pigments and Additives business assuming completion of the Separation.

In this report, we may use, without definition, the common names of competitors or other industry participants. We may also use the common names or abbreviations for certain chemicals or products.

INTERIM FINANCIAL STATEMENTS

Our unaudited interim condensed consolidated financial statements and Huntsman International’s unaudited interim condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP” or “U.S. GAAP”) and in management’s opinion reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of results of operations, comprehensive income, financial position and cash flows for the periods presented. Results for interim periods are not necessarily indicative of those to be expected for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2016 for our Company and Huntsman International.

DESCRIPTION OF BUSINESS

We are a global manufacturer of differentiated organic chemical products and of inorganic chemical products. Our products comprise a broad range of chemicals and formulations, which we market globally to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, personal care and hygiene, durable and non-durable consumer products, digital inks, electronics, medical, packaging, paints and coatings, power generation, refining, synthetic fiber, textile chemicals and dyes industries. We are a leading global producer in many of our key product lines, including MDI, amines, surfactants, maleic anhydride, epoxy-based polymer formulations, textile chemicals, dyes, titanium dioxide and color pigments.

We operate in five segments: Polyurethanes, Performance Products, Advanced Materials, Textile Effects and Pigments and Additives. Our Polyurethanes, Performance Products, Advanced Materials and Textile Effects segments produce differentiated organic chemical products and our Pigments and Additives segment produces inorganic chemical products. In a series of transactions beginning in 2006, we sold or shut down substantially all of our Australian styrenics operations and our North American polymers and base chemicals operations. We report the results of these businesses as discontinued operations.

## COMPANY

Our Company, a Delaware corporation, was formed in 2004 to hold the Huntsman businesses. Jon M. Huntsman founded the predecessor to our Company in 1970 as a small packaging company. Since then, we have grown through a series of acquisitions and now own a global portfolio of businesses.

## Table of Contents

Currently, we operate all of our businesses through Huntsman International, our wholly-owned subsidiary. Huntsman International is a Delaware limited liability company and was formed in 1999.

### HUNTSMAN CORPORATION AND HUNTSMAN INTERNATIONAL FINANCIAL STATEMENTS

Except where otherwise indicated, these notes relate to the condensed consolidated financial statements for both our Company and Huntsman International. The differences between our financial statements and Huntsman International's financial statements relate primarily to the following:

- purchase accounting recorded at our Company for the 2003 step acquisition of Huntsman International Holdings LLC, the former parent company of Huntsman International that was merged into Huntsman International in 2005;
- the different capital structures; and
- a note payable from Huntsman International to us.

### PRINCIPLES OF CONSOLIDATION

Our condensed consolidated financial statements include the accounts of our wholly owned and majority owned subsidiaries and any variable interest entities for which we are the primary beneficiary. Intercompany accounts and transactions have been eliminated.

### RECENT DEVELOPMENTS

#### Huntsman and Clariant Merger

On May 21, 2017, Huntsman, Clariant Ltd, a Swiss corporation, ("Clariant"), and HurricaneCyclone Corporation, a Delaware corporation and wholly owned subsidiary of Clariant ("Merger Sub"), entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, subject to the satisfaction or waiver of certain conditions, Merger Sub will merge with and into Huntsman, with Huntsman surviving as a wholly owned subsidiary of Clariant, and Clariant will be renamed HuntsmanClariant Ltd ("HuntsmanClariant"). The merger is subject to the

satisfaction or waiver of conditions set forth in the Merger Agreement, including, among other things, (i) the adoption of the Merger Agreement by the affirmative vote of Huntsman stockholders holding a majority of the outstanding Huntsman shares entitled to vote thereon at the Huntsman special meeting in favor of such adoption and (ii) the approval of Clariant shareholders of the increase in share capital of Clariant necessary to permit the issuance of HuntsmanClariant shares in connection with the merger by the affirmative vote of two-thirds of the votes represented at its extraordinary general meeting. We have operated and, until completion of the merger, will continue to operate independently of Clariant. As of the date of its announcement, the merger had an enterprise value of approximately \$20 billion, with more than 200 production sites around the world and approximately 28,000 associates. We are targeting completion of the merger near the end of this year. During the three and six months ended June 30, 2017 and 2016, we incurred merger-related costs of \$6 million, \$6 million, nil and nil, respectively.

#### Separation of our Pigments and Additives Business

We are in the process of separating our Pigments and Additives business, which is expected to be completed during the third quarter of 2017. During the third quarter of 2017, we expect to account for the Pigments and Additives business as assets held for sale and discontinued operations. For more information, see “Note 4. Separation of Pigments and Additives Business.”

In connection with the separation, Venator Materials PLC (“Venator”) intends to enter into new financing arrangements and expects to incur up to \$750 million of new debt, which will include (i) \$375 million of senior unsecured notes and (ii) borrowings of \$375 million under a new senior secured term loan facility. For further information, see “Note 7. Debt—Direct and Subsidiary Debt—Venator Unsecured Notes and Venator Credit Facilities.”

Pori Fire

## Table of Contents

On January 30, 2017, our titanium dioxide manufacturing facility in Pori, Finland experienced fire damage and is currently not fully operational. We are committed to repairing the facility as quickly as possible and a portion of our white end production became operational during the second quarter of 2017. During the first half of 2017, we recorded a loss of \$32 million for the write-off of fixed assets and lost inventory in other operating income, net in our condensed consolidated statements of operations. In addition, we recorded a loss of \$15 million of costs for cleanup of the facility in other operating income, net through June 30, 2017.

The site is insured for property damage as well as business interruption losses subject to retained deductibles of \$15 million and 60 days, respectively, with a limit of \$500 million. The fire at our Pori facility did not have a material impact on our 2017 second quarter operating results as losses incurred were offset by insurance proceeds. On February 9, 2017 and May 2, 2017, we received \$54 million and \$76 million, respectively, as partial progress payments from our insurer. During the first six months of 2017, we recorded \$84 million of income related to property damage and business interruption insurance recoveries in other operating income, net in our condensed consolidated statements of operations to offset property damage and business interruption losses recorded during the period. In addition, we recorded \$46 million as deferred income in accrued liabilities as of June 30, 2017 for insurance proceeds received for costs not yet incurred.

On July 10, 2017, we received an additional progress payment of \$11 million from our insurer.

### Early Prepayment of Debt

On July 26, 2017, we made an early prepayment of \$100 million on our 2015 extended term loan B facility due 2019 (“2015 Extended Term Loan B”) from existing cash. For further information, see “Note 7. Direct and Subsidiary Debt—Senior Credit Facilities.”

### USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS



Accounting Pronouncements Adopted During 2017

In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. The amendments in this ASU do not apply to inventory that is measured using last-in first-out (“LIFO”) or the retail inventory method, but rather does apply to all other inventory, which includes inventory that is measured using first-in first-out or average cost. An entity should measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments in this ASU should be applied prospectively. We adopted the amendments in this ASU effective January 1, 2017, and the initial adoption of the amendment in this ASU did not have a significant impact on our condensed consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share Based Payment Accounting. The amendments in this ASU simplify several aspects of the accounting for share 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 ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. We adopted the amendments in this ASU effective January 1, 2017, and the initial adoption of the amendment in this ASU did not have a significant impact on our condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this ASU simplify the subsequent measurement of

## Table of Contents

goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in this ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying value, which eliminates the current requirement to calculate a goodwill impairment charge by comparing the implied fair value of goodwill with its carrying amount. The amendments in this ASU are effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The amendments in this ASU should be applied on a prospective basis. We adopted the amendments in this ASU effective January 1, 2017 and the initial adoption of the amendments in this ASU did not have a significant impact on our condensed consolidated financial statements.

### Accounting Pronouncements Pending Adoption in Future Periods

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), outlining a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers and supersedes most current revenue recognition guidance. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, deferring the effective date of ASU No. 2014-09 for all entities by one year. Further, 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), clarifying the implementation guidance on principal versus agent considerations, in April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, clarifying the implementation guidance on identifying performance obligations in a contract and determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time), in May 2016, the FASB issued ASU No. 2016-12, Revenue from Customers (Topic 606): Narrow Scope Improvements and Practical Expedients, providing clarifications and practical expedients for certain narrow aspects in Topic 606, and in December 2016, the FASB issued ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers. The amendments in these ASUs are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The amendments in ASU No. 2014-09, ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12 and ASU No. 2016-20 should be applied retrospectively, and early application is permitted. We are currently performing the analysis identifying areas that will be impacted by the adoption of the amendments in ASU No. 2014-09, ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12 and ASU No. 2016-20 on our condensed consolidated financial statements. At this time, other than additional required disclosures, we do not expect the adoption of the amendments in these ASUs to have a significant impact on our condensed consolidated financial statements. The standard will be adopted in our fiscal year 2018 and we have elected the modified retrospective approach as the transition method.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The amendments in this ASU will increase transparency and comparability among entities by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU will require lessees to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early application of the amendments in this ASU is permitted for all entities. Reporting entities are required to recognize and measure leases under these amendments at the beginning of the earliest period presented using a modified retrospective approach. We are currently evaluating the impact of the adoption of the amendments in this ASU on our

condensed consolidated financial statements and believe, based on our preliminary assessment, that we will record significant additional right-to-use assets and lease obligations.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The amendments in this ASU clarify and include specific guidance to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The amendments in this ASU should be applied using a retrospective transition method to each period presented. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements.

Table of Contents

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. The amendments in this ASU require entities to recognize the current and deferred income taxes for an intra-entity transfer of an asset other than inventory when the transfer occurs, as opposed to deferring the recognition of the income tax consequences until the asset has been sold to an outside party. The amendments in this ASU are effective for annual reporting periods beginning after December 31, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. The amendments in this ASU should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017, and interim period within those fiscal years. Early adoption is permitted, including adoption in an interim period. The amendments in this ASU should be applied using a retrospective transition method to each period presented. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The amendments in this ASU clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early application is permitted. The amendments in this ASU should be applied prospectively on or after the effective date. No disclosures are required at transition. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The amendments in this ASU require that an employer report the service cost component of net periodic pension cost and net periodic postretirement benefit cost in the same line items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside of income from operations. The amendments in this ASU also allow only the service cost component to be eligible for capitalization when applicable (for example, as a cost of internally manufactured inventory or a self-constructed asset). The amendments in this ASU are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amendments in this ASU should be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit cost in assets. The amendments in this ASU will impact the presentation of our condensed consolidated financial statements. Our current presentation of service cost components is consistent with the amendments in this ASU. Upon adoption of the amendments in this ASU, we expect to present

the other components within other nonoperating income, whereas we currently present these within cost of goods sold and selling, general and administrative expenses.

21

---

Table of Contents

## 3. INVENTORIES

Inventories are stated at the lower of cost or market, with cost determined using LIFO, first-in first-out, and average cost methods for different components of inventory. Inventories consisted of the following (dollars in millions):

|                            | June 30,<br>2017 | December 31,<br>2016 |
|----------------------------|------------------|----------------------|
| Raw materials and supplies | \$ 352           | \$ 291               |
| Work in progress           | 97               | 91                   |
| Finished goods             | 1,131            | 1,017                |
| Total                      | 1,580            | 1,399                |
| LIFO reserves              | (60)             | (55)                 |
| Net inventories            | \$ 1,520         | \$ 1,344             |

For both June 30, 2017 and December 31, 2016, approximately 9% of inventories were recorded using the LIFO cost method.

## 4. SEPARATION OF PIGMENTS AND ADDITIVES BUSINESS

We are in the process of separating our Pigments and Additives business, which is expected to be completed during the third quarter of 2017. During the third quarter of 2017, we expect to account for the Pigments and Additives business as assets held for sale and discontinued operations.

In connection with the Separation, we recorded business separation expenses of \$12 million and nil during the three months ended June 30, 2017 and 2016, respectively, and \$21 million and nil during the six months ended June 30, 2017 and 2016, respectively.

## 5. VARIABLE INTEREST ENTITIES

We evaluate our investments and transactions to identify variable interest entities for which we are the primary beneficiary. We hold a variable interest in the following joint ventures for which we are the primary beneficiary:

- Rubicon LLC is our 50%-owned joint venture with Chemtura that manufactures products for our Polyurethanes and Performance Products segments. The structure of the joint venture is such that the total equity investment at risk is not sufficient to permit the joint venture to finance its activities without additional financial support. By virtue of the operating agreement with this joint venture, we purchase a majority of the output, absorb a majority of the operating costs and provide a majority of the additional funding.
- Pacific Iron Products Sdn Bhd is our 50%-owned joint venture with Coogee Chemicals that manufactures products for our Pigments and Additives segment. In this joint venture, we supply all the raw materials through a fixed cost supply contract, operate the manufacturing facility and market the products of the joint venture to customers. Through a fixed price raw materials supply contract with the joint venture, we are exposed to risk related to the fluctuation of raw material pricing.
- Arabian Amines Company is our 50%-owned joint venture with Zamil group that manufactures products for our Performance Products segment. As required in the operating agreement governing this joint venture, we purchase all of Arabian Amines Company's production and sell it to our customers. Substantially all of the joint venture's activities are conducted on our behalf.
- Sasol Huntsman is our 50%-owned joint venture with Sasol that owns and operates a maleic anhydride facility in Moers, Germany. This joint venture manufactures products for our Performance Products segment. The joint venture uses our technology and expertise, and we bear a disproportionate amount of risk of loss due to a related party loan to Sasol Huntsman for which we bear the default risk.
- Viance, LLC ("Viance") is our 50%-owned joint venture with Dow Chemical. Viance markets timber treatment products for our Pigments and Additives segment. The joint venture sources all of its products

Table of Contents

through a contract manufacturing arrangement at our Harrisburg, North Carolina facility, and we bear a disproportionate amount of working capital risk of loss due to the supply arrangement whereby we control manufacturing on Viance's behalf.

Creditors of these entities have no recourse to our general credit. See "Note 7. Debt—Direct and Subsidiary Debt." As the primary beneficiary of these variable interest entities at June 30, 2017, the joint ventures' assets, liabilities and results of operations are included in our condensed consolidated financial statements.

The following table summarizes the carrying amount of our variable interest entities' assets and liabilities included in our condensed consolidated balance sheets, before intercompany eliminations, as of June 30, 2017 and our consolidated balance sheets as of December 31, 2016 (dollars in millions):

|                                    | June 30,<br>2017 | December 31,<br>2016 |
|------------------------------------|------------------|----------------------|
| Current assets                     | \$ 132           | \$ 117               |
| Property, plant and equipment, net | 274              | 284                  |
| Other noncurrent assets            | 110              | 98                   |
| Deferred income taxes              | 43               | 43                   |
| Intangible assets                  | 39               | 31                   |
| Goodwill                           | 13               | 12                   |
| Total assets                       | \$ 611           | \$ 585               |
| Current liabilities                | \$ 179           | \$ 172               |
| Long-term debt                     | 106              | 116                  |
| Deferred income taxes              | 11               | 10                   |
| Other noncurrent liabilities       | 78               | 76                   |
| Total liabilities                  | \$ 374           | \$ 374               |

The revenues, income from continuing operations before income taxes and net cash provided by operating activities for our variable interest entities for the three and six months ended June 30, 2017 and 2016 are as follows (dollars in millions):



|   | Three months ended<br>June 30, |       | Six months ended<br>June 30, |        |
|---|--------------------------------|-------|------------------------------|--------|
|   | 2017                           | 2016  | 2017                         | 2016   |
| Revenues  | \$ 68                          | \$ 56 | \$ 133                       | \$ 108 |
| Income from continuing operations before income taxes | 13                             | 11    | 24                           | 19     |
| Net cash provided by operating activities             | 5                              | 17    | 24                           | 36     |

## 6. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS

As of June 30, 2017 and December 31, 2016, accrued restructuring costs by type of cost and initiative consisted of the following (dollars in millions):

|  | Workforce<br>reductions(1) | Demolition and<br>decommissioning | Non-cancelable<br>lease and contract<br>termination costs | Other<br>restructuring<br>costs | Total(2) |
|--|----------------------------|-----------------------------------|---|---------------------------------|----------|
| Accrued liabilities as of January 1,<br>2017 | \$ 26                      | \$ 18                             | \$ 42   | \$ 5                            | \$ 91    |

Edgar Filing: Huntsman CORP - Form 10-Q

|   |       |       |       |      |        |
|---|-------|-------|-------|------|--------|
| 2017 charges for 2016 and prior initiatives   | 1     | 4     | —     | 8    | 13     |
| 2017 charges for 2017 initiatives             | 25    | —     | —     | —    | 25     |
| Distribution of prefunded restructuring costs | (1)   | —     | —     | —    | (1)    |
| 2017 payments for 2016 and prior initiatives  | (9)   | (13)  | (1)   | (8)  | (31)   |
| 2017 payments for 2017 initiatives            | (1)   | —     | —     | —    | (1)    |
| Net activity of discontinued operations       | —     | —     | (1)   | —    | (1)    |
| Foreign currency effect on liability balance  | 1     | 1     | 3     | —    | 5      |
| Accrued liabilities as of June 30, 2017       | \$ 42 | \$ 10 | \$ 43 | \$ 5 | \$ 100 |

---

Table of Contents

(1) The workforce reduction reserves relate to the termination of 449 positions, of which 389 positions had not been terminated as of June 30, 2017.

(2) Accrued liabilities by initiatives were as follows (dollars in millions):

|                            | June 30,<br>2017 | December 31,<br>2016 |
|----------------------------|------------------|----------------------|
| 2015 and prior initiatives | \$ 75            | \$ 88                |
| 2016 initiatives           | 1                | 3                    |
| 2017 initiatives           | 24               | —                    |
| Total                      | \$ 100           | \$ 91                |

Details with respect to our reserves for restructuring, impairment and plant closing costs are provided below by segment and initiative (dollars in millions):

|   | Polyurethane | Performance<br>Products | Advanced<br>Materials | Textile<br>Effects | Pigments<br>and<br>Additives | Discontinued<br>Operations | Corporate<br>and other | Total  |
|---|--------------|-------------------------|-----------------------|--------------------|------------------------------|----------------------------|------------------------|--------|
| Accrued liabilities as of January 1, 2017     | \$ 2         | \$ —                    | \$ 3                  | \$ 61              | \$ 21                        | \$ 2                       | \$ 2                   | \$ 91  |
| 2017 charges for 2016 and prior initiatives   | —            | —                       | —                     | 5                  | 8                            | —                          | —                      | 13     |
| 2017 charges for 2017 initiatives             | —            | —                       | —                     | 6                  | 19                           | —                          | —                      | 25     |
| Distribution of prefunded restructuring costs | —            | —                       | —                     | —                  | (1)                          | —                          | —                      | (1)    |
| 2017 payments for 2016 and prior initiatives  | (1)          | —                       | —                     | (15)               | (15)                         | —                          | —                      | (31)   |
| 2017 payments for 2017 initiatives            | —            | —                       | —                     | (1)                | —                            | —                          | —                      | (1)    |
| Net activity of discontinued operations       | —            | —                       | —                     | —                  | —                            | (1)                        | —                      | (1)    |
| Foreign currency effect on liability balance  | —            | —                       | —                     | 4                  | 1                            | —                          | —                      | 5      |
| Accrued liabilities as of June 30, 2017       | \$ 1         | \$ —                    | \$ 3                  | 60                 | \$ 33                        | \$ 1                       | \$ 2                   | \$ 100 |
|   | \$ 1         | \$ —                    | \$ 2                  | \$ 20              | \$ 29                        | \$ 1                       | \$ 2                   | \$ 55  |

|   |   |   |   |    |   |   |   |    |
|---|---|---|---|----|---|---|---|----|
| Current portion of restructuring reserves   |   |   |   |    |   |   |   |    |
| Long-term portion of restructuring reserves | — | — | 1 | 40 | 4 | — | — | 45 |

Details with respect to cash and noncash restructuring charges for the three and six months ended June 30, 2017 and 2016 by initiative are provided below (dollars in millions):

|  | Three months ended<br>June 30, 2017 | Six months ended<br>June 30, 2017 |
|--|-------------------------------------|-----------------------------------|
| Cash charges:  |                                     |                                   |
| 2017 charges for 2016 and prior initiatives                  | \$ 5                                | \$ 13                             |
| 2017 charges for 2017 initiatives                            | —                                   | 25                                |
| Pension-related charges                                      | 1                                   | 1                                 |
| Accelerated depreciation                                     | 1                                   | 2                                 |
| Impairment of assets   | 3                                   | 3                                 |
| Other non-cash charges                                       | —                                   | 2                                 |
| Total 2017 Restructuring, Impairment and Plant Closing Costs | \$ 10                               | \$ 46                             |

Table of Contents

|  | Three months<br>ended<br>June 30, 2016 | Six months<br>ended<br>June 30, 2016 |
|--|--|--------------------------------------|
| Cash charges:  |  |                                      |
| 2016 charges for 2015 and prior initiatives                  | \$ 19                                  | \$ 28                                |
| 2016 charges for 2016 initiatives                            | 6                                      | 6                                    |
| Accelerated depreciation                                     | 3                                      | 7                                    |
| Reversal of reserves no longer required                      | —                                      | (1)                                  |
| Other non-cash charges                                       | 1                                      | 2                                    |
| Total 2016 Restructuring, Impairment and Plant Closing Costs | \$ 29                                  | \$ 42                                |

## 2017 RESTRUCTURING ACTIVITIES

In September 2011, we implemented a significant restructuring of our Textile Effects segment, including the closure of our production facilities and business support offices in Basel, Switzerland (the “2011 Textile Effects Restructuring”). In connection with this plan, during the six months ended June 30, 2017, our Textile Effects segment recorded restructuring expense of approximately \$3 million associated with this initiative. We expect to receive an income of upfront installment payment of approximately \$5 million through the end of 2017 to cover our large portion of contract settlement payments.

During the first quarter of 2017, we implemented the first phase of a restructuring program to improve competitiveness in our Textile Effects segment. In connection with this restructuring program, we recorded restructuring expense of \$7 million in the six months ended June 30, 2017 related primarily to workforce reductions. We expect to incur additional charges of approximately \$2 million through the end 2017.

In March 2015, we implemented a restructuring program in our color pigments business (the “Color Pigments Restructuring”). In connection with the Color Pigments Restructuring, we recorded restructuring expense of approximately \$5 million in the six months ended June 30, 2017. We expect to incur additional charges of approximately \$2 million through the end of 2017.

In July 2016, we announced a plan to close our Pigments and Additives segment’s South African titanium dioxide manufacturing facility. As part of the program, we recorded restructuring expense of approximately \$2 million in the six months ended June 30, 2017. We expect to incur additional charges of approximately \$3 million through the end of the third quarter of 2018.

In March 2017, we announced a plan to close the white end finishing and packaging operations of our titanium dioxide manufacturing facility at our Calais, France site. The announced plan follows the 2015 announcement of the closure of the black end manufacturing operations and would result in the closure of the entire facility. In connection with this closure, we recorded restructuring expense of \$23 million in the six months ended June 30, 2017. We recorded \$8 million of accelerated depreciation on the remaining long lived assets associated with this manufacturing facility during 2016. We expect to incur additional charges of approximately \$41 million through the end of 2021.

## 2016 RESTRUCTURING ACTIVITIES

In December 2015, our Performance Products segment announced plans for a reorganization of its commercial and technical functions and a refocused divisional business strategy to better position the segment for growth in coming years. In addition, a program was launched to capture growth opportunities, improve manufacturing cost efficiency and reduce inventories. In connection with this restructuring program, we recorded restructuring expense of \$10 million in the six months ended June 30, 2016.

In connection with the 2011 Textile Effects Restructuring, during the six months ended June 30, 2016, our Textile Effects segment recorded charges of \$1 million for non-cancelable long term contract termination costs, \$1 million for decommissioning and \$2 million in other restructuring costs associated with this initiative.

In December 2014, we implemented a comprehensive restructuring program to improve the global competitiveness of our Pigments and Additives segment. As part of the program, we are reducing our workforce by approximately 900 positions. In connection with this restructuring program, we recorded restructuring expense of \$4 million in the six months ended June 30, 2016.

Table of Contents

In connection with the Color Pigments Restructuring, we recorded restructuring expense of approximately \$8 million in the six months ended June 30, 2016.

In connection with the closure of our Pigments and Additives segment's South African titanium dioxide manufacturing facility, we recorded restructuring expense of approximately \$3 million in the six months ended June 30, 2016. Additionally, we recorded an impairment charge of \$1 million during the second quarter of 2016. The majority of the long lived assets associated with this manufacturing facility were impaired in the fourth quarter of 2015.

In connection with planned restructuring activities, our Pigments and Additives segment recorded accelerated depreciation as restructuring expense of \$7 million during the six months ended June 30, 2016.

## 7. DEBT

Outstanding debt, net of debt issuance costs, consisted of the following (dollars in millions):

## Huntsman Corporation

|   | June 30,<br>2017 | December 31,<br>2016 |
|---|------------------|----------------------|
| Senior Credit Facilities:               |                  |                      |
| Term loans                              | \$ 1,862         | \$ 1,967             |
| Amounts outstanding under A/R programs  | 181              | 208                  |
| Senior notes                            | 1,884            | 1,812                |
| Variable interest entities              | 125              | 128                  |
| Other                                   | 64               | 80                   |
| Total debt—excluding debt to affiliates | \$ 4,116         | \$ 4,195             |
| Total current portion of debt           | \$ 44            | \$ 60                |
| Long-term portion                       | 4,072            | 4,135                |
| Total debt—excluding debt to affiliates | \$ 4,116         | \$ 4,195             |
| Total debt—excluding debt to affiliates | \$ 4,116         | \$ 4,195             |
| Notes payable to affiliates-noncurrent  | —                | 1                    |
| Total debt                              | \$ 4,116         | \$ 4,196             |

## Huntsman International

|   | June 30,<br>2017 | December 31,<br>2016 |
|---|------------------|----------------------|
| Senior Credit Facilities:               |                  |                      |
| Term loans                              | \$ 1,862         | \$ 1,967             |
| Amounts outstanding under A/R programs  | 181              | 208                  |
| Senior notes                            | 1,884            | 1,812                |
| Variable interest entities              | 125              | 128                  |
| Other                                   | 64               | 80                   |
| Total debt—excluding debt to affiliates | \$ 4,116         | \$ 4,195             |
| Total current portion of debt           | \$ 44            | \$ 60                |
| Long-term portion                       | 4,072            | 4,135                |
| Total debt—excluding debt to affiliates | \$ 4,116         | \$ 4,195             |
| Total debt—excluding debt to affiliates | \$ 4,116         | \$ 4,195             |
| Notes payable to affiliates-current     | 100              | 100                  |
| Notes payable to affiliates-noncurrent  | 714              | 697                  |
| Total debt                              | \$ 4,930         | \$ 4,992             |

#### DIRECT AND SUBSIDIARY DEBT

Huntsman Corporation's direct debt and guarantee obligations consist of a guarantee of certain indebtedness incurred from time to time to finance certain insurance premiums. Substantially all of our other debt, including the



Table of Contents

facilities described below, has been incurred by our subsidiaries (primarily Huntsman International). Huntsman Corporation is not a guarantor of such subsidiary debt.

Certain of our subsidiaries are designated as nonguarantor subsidiaries (“Nonguarantors”) and have third party debt agreements. These debt agreements contain certain restrictions with regard to dividends, distributions, loans or advances. In certain circumstances, the consent of a third party would be required prior to the transfer of any cash or assets from these subsidiaries to us.

## Debt Issuance Costs

We record debt issuance costs related to a debt liability on the balance sheet as a reduction in the face amount of that debt liability. As of June 30, 2017 and December 31, 2016, the amount of debt issuance costs directly reducing the debt liability was \$54 million and \$57 million, respectively. We record the amortization of debt issuance costs as interest expense.

## Senior Credit Facilities

As of June 30, 2017, our senior credit facilities (“Senior Credit Facilities”) consisted of our revolving facility (“Revolving Facility”), our 2015 Extended Term Loan B, our term loan B facility due 2021 (“2021 Term Loan B”) and our term loan B facility due 2023 (“2023 Term Loan B”) as follows (dollars in millions):

| Facility                  | Committed Amount | Principal Outstanding | Unamortized Discounts and Debt Issuance Costs | Carrying Value | Interest Rate(3)        | Maturity |
|---------------------------|------------------|-----------------------|---|----------------|-------------------------|----------|
| Revolving Facility        | \$ 650           | \$ —                  | (1) \$ —                                      | (1) \$ —       | USD LIBOR plus 2.75%    | 2021     |
| 2015 Extended Term Loan B | N/A              | 206                   | 1   | 205            | 3.00%                   | 2019     |
| 2021 Term Loan B          | N/A              | 347                   | 11  | 336            | USD LIBOR plus 2.75%(2) | 2021     |
| 2023 Term Loan B          | N/A              | 1,365                 | 44  | 1,321          | USD LIBOR plus 3.00%(2) | 2023     |

(1) We had no borrowings outstanding under our Revolving Facility; we had approximately \$17 million (U.S. dollar equivalents) of letters of credit and bank guarantees issued and outstanding under our Revolving Facility.

- (2) The 2021 Term Loan B and the 2023 Term Loan B are subject to a 0.75% LIBOR floor.
- (3) The applicable interest rate of the Revolving Facility is subject to certain secured leverage ratio thresholds. As of June 30, 2017, the weighted average interest rate on our outstanding balances under the Senior Credit Facilities was approximately 4%.  
Our obligations under the Senior Credit Facilities are guaranteed by substantially all of our domestic subsidiaries and certain of our foreign subsidiaries (collectively, the “Guarantors”), and are secured by a first priority lien on substantially all of our domestic property, plant and equipment, the stock of all of our material domestic subsidiaries and certain foreign subsidiaries, and pledges of intercompany notes between certain of our subsidiaries.

On both April 25, 2017 and July 26, 2017, we made early prepayments of \$100 million each on our 2015 Extended Term Loan B from existing cash.

#### Seventeenth Amendment to Credit Agreement

On June 15, 2017, Huntsman International entered into a seventeenth amendment to the agreement governing the Senior Credit Facilities. The amendment allows us to enter into certain transactions in connection with the Separation and to consummate the previously announced merger of Huntsman Corporation with Clariant.

In connection with the Separation, the amendment allows for the incurrence of certain indebtedness of Venator to be held in escrow and permits the internal restructuring of the Pigments and Additives assets. In connection with the Separation, Venator and its subsidiaries will be designated as unrestricted subsidiaries and we will be required to repay \$450 million of existing term loan indebtedness.

Table of Contents

## A/R Programs

Our U.S. accounts receivable securitization program (“U.S. A/R Program”) and our European accounts receivable securitization program (“EU A/R Program” and collectively with the U.S. A/R Program, “A/R Programs”) are structured so that we transfer certain of our trade receivables to the U.S. special purpose entity (“U.S. SPE”) and the European special purpose entity (“EU SPE”) in transactions intended to be true sales or true contributions. The receivables collateralize debt incurred by the U.S. SPE and the EU SPE. Information regarding our A/R Programs as of June 30, 2017 was as follows (monetary amounts in millions):

| Facility         | Maturity   | Maximum Funding Availability(1) | Amount Outstanding           | Interest Rate(2)                  |
|------------------|------------|---------------------------------|------------------------------|-----------------------------------|
| U.S. A/R Program | April 2020 | \$ 250                          | \$ 90                        | (3) 0.95%<br>Applicable rate plus |
| EU A/R Program   | April 2020 | € 150<br>(approximately \$170)  | € 80<br>(approximately \$91) | 1.30%<br>Applicable rate plus     |

- (1) The amount of actual availability under our A/R Programs may be lower based on the level of eligible receivables sold, changes in the credit ratings of our customers, customer concentration levels and certain characteristics of the accounts receivable being transferred, as defined in the applicable agreements.
- (2) The applicable rate for our U.S. A/R Program is defined by the lender as either USD LIBOR or CP rate. The applicable rate for our EU A/R Program is either GBP LIBOR, USD LIBOR or EURIBOR. In addition, the U.S. SPE and the EU SPE are obligated to pay unused commitment fees to the lenders based on the amount of each lender’s commitment.
- (3) As of June 30, 2017, we had approximately \$7 million (U.S. dollar equivalents) of letters of credit issued and outstanding under our U.S. A/R Program.

On April 21, 2017, we entered into amendments to our A/R Programs that, among other things, extend the scheduled termination dates to April 2020. As of June 30, 2017 and December 31, 2016, \$369 million and \$437 million, respectively, of accounts receivable were pledged as collateral under our A/R Programs.

## Venator Unsecured Notes

On July 14, 2017, our subsidiaries Venator Finance S.à r.l. and Venator Materials LLC (the “Venator Issuers”) entered into an indenture in connection with the issuance of \$375 million in aggregate principal amount of 5.75% Senior Notes due 2025 (the “Venator Notes”). The Venator Notes were sold pursuant to a purchase agreement and were funded into escrow pending completion of the Separation. When released from escrow, the Venator Issuers intend to use the net proceeds of the notes offering to repay intercompany debt to us, to pay a dividend to us (to the extent net proceeds exceed the net intercompany amounts owed to us) and to pay related fees and expenses.

The Venator Notes are general unsecured senior obligations of the Venator Issuers and, upon completion of the Separation, will be guaranteed on a general unsecured senior basis by Venator and certain of Venator’s subsidiaries.

The indenture imposes certain limitations on the ability of Venator and certain of its subsidiaries to, among other things, incur additional indebtedness secured by any principal properties, incur indebtedness of non-guarantor subsidiaries, enter into sale and leaseback transactions with respect to any principal properties and consolidate or merge with or into any other person or lease, sell or transfer all or substantially all of its properties and assets.

The Venator Notes bear interest of 5.75% per year payable semi-annually and will mature on July 15, 2025. The Venator Issuers may redeem the Venator Notes in whole or in part at any time prior to July 15, 2020 at a price equal to 100% of the principal amount thereof plus a “make-whole” premium and accrued and unpaid interest, if any. The Venator Notes will be redeemable in whole or in part at any time on or after July 15, 2020 at the redemption prices in the Venator Indenture, plus accrued and unpaid interest, if any, to, but not including, the redemption date. In addition, at any time prior to July 15, 2020, the Venator Issuers may redeem up to 40% of the aggregate principal amount of the Venator Notes with an amount not greater than the net cash proceeds of certain equity offerings or contributions to Venator’s equity at 105.75% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the redemption date. Upon the occurrence of certain change of control events (other than the Separation), holders of the Venator Notes will have the right to require that the Venator Issuers purchase all or a portion of such holder’s Venator

Table of Contents

Notes in cash at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase.

Venator Credit Facilities

Venator intends to enter into new senior credit facilities ("Venator Credit Facilities") that will provide for first lien senior secured financing of up to \$675 million, consisting of:

- " a term loan facility ("Venator Term Loan"), in an aggregate principal amount of \$375 million, with a maturity of seven years; and
- " an asset-based revolving lending facility ("Venator ABL Facility"), in an aggregate principal amount of up to \$300 million, with a maturity of five years.

The Venator Term Loan will amortize in aggregate annual amounts equal to 1% of the original principal amount of the Venator Term Loan, payable quarterly commencing with the first full fiscal quarter ended after the date the term loan is funded.

Availability to borrow under the \$300 million of commitments is subject to a borrowing base calculation comprised of accounts receivable and inventory in United States, Canada, the United Kingdom, Germany and accounts receivable in France and Spain, that fluctuate from time to time and may be further impacted by the lenders' discretionary ability to impose reserves and availability blocks that might otherwise incrementally increase borrowing availability. As a result, the aggregate amount available for extensions of credit under the Venator ABL Facility at any time will be the lesser of \$300 million and the borrowing base calculated according to the formula described above minus the aggregate amount of extensions of credit outstanding under the Venator ABL Facility at such time.

Borrowings under the term loan facility will bear interest at a rate equal to, at Venator's option, either (a) a LIBOR rate determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs subject to an interest rate floor to be agreed or (b) a base rate determined by reference to the highest of (i) the rate of interest per annum determined from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its principal office in New York City, (ii) the federal funds rate plus 0.50% per annum and (iii) the one-month adjusted LIBOR plus 1.00% per annum, in each case plus an applicable margin to be agreed upon. Borrowings under the Venator ABL Facility will bear interest at a variable rate equal to an applicable margin based on the applicable quarterly average excess availability under the Venator ABL Facility plus either a LIBOR or a base rate. Thereafter, the applicable margin percentage will be calculated and established once every three calendar months and will vary from 150 to 200 basis points for LIBOR loans depending on the quarterly average excess availability under the Venator ABL Facility for the immediately preceding three month period.

Following the Separation and subject to customary exceptions, all obligations under the Venator Senior Credit Facilities will be unconditionally guaranteed, jointly and severally, on a senior secured basis by Venator and each existing and subsequently acquired or organized direct or indirect material wholly-owned restricted subsidiary of Venator. The obligations of the loan parties will be secured by a pledge of Venator's capital stock directly held by Venator and any domestic loan parties and substantially all of Venator's assets and those of each subsidiary guarantor, including capital stock of the subsidiary guarantors and 65% of the capital stock of the first-tier foreign subsidiaries that are not subsidiary guarantors, in each case subject to exceptions. Lien priority as between the term loan facility and the Venator ABL Facility with respect to the collateral will be governed by an intercreditor agreement.

#### Note Payable from Huntsman International to Huntsman Corporation

As of June 30, 2017, we had a loan of \$814 million to our subsidiary, Huntsman International (the "Intercompany Note"). The Intercompany Note is unsecured and \$100 million of the outstanding amount is classified as current as of June 30, 2017 on our condensed consolidated balance sheets. As of June 30, 2017, under the terms of the Intercompany Note, Huntsman International promises to pay us interest on the unpaid principal amount at a rate per annum based on the previous monthly average borrowing rate obtained under our U.S. A/R Program, less 10 basis points (provided that the rate shall not exceed an amount that is 25 basis points less than the monthly average borrowing rate obtained for the U.S. LIBOR-based borrowings under our Revolving Facility).

Table of Contents

COMPLIANCE WITH COVENANTS

We believe that we are in compliance with the covenants contained in the agreements governing our material debt instruments, including our Senior Credit Facilities, our A/R Programs and our notes.

Our material financing arrangements contain certain covenants with which we must comply. A failure to comply with a covenant could result in a default under a financing arrangement unless we obtained an appropriate waiver or forbearance (as to which we can provide no assurance). A default under these material financing arrangements generally allows debt holders the option to declare the underlying debt obligations immediately due and payable. Furthermore, certain of our material financing arrangements contain cross-default and cross-acceleration provisions under which a failure to comply with the covenants in one financing arrangement may result in an event of default under another financing arrangement.

Our Senior Credit Facilities are subject to a single financial covenant (the “Leverage Covenant”), which applies only to the Revolving Facility and is calculated at the Huntsman International level. The Leverage Covenant is applicable only if borrowings, letters of credit or guarantees are outstanding under the Revolving Facility (cash collateralized letters of credit or guarantees are not deemed outstanding). The Leverage Covenant is a net senior secured leverage ratio covenant, which requires that Huntsman International’s ratio of senior secured debt to EBITDA (as defined in the applicable agreement) is not more than 3.75 to 1.

If in the future Huntsman International fails to comply with the Leverage Covenant, then we may not have access to liquidity under our Revolving Facility. If Huntsman International failed to comply with the Leverage Covenant at a time when we had uncollateralized loans or letters of credit outstanding under the Revolving Facility, Huntsman International would be in default under the Senior Credit Facilities, and, unless Huntsman International obtained a waiver or forbearance with respect to such default (as to which we can provide no assurance), Huntsman International could be required to pay off the balance of the Senior Credit Facilities in full, and we may not have further access to such facilities.

The agreements governing our A/R Programs also contain certain receivable performance metrics. Any material failure to meet the applicable A/R Programs’ metrics in the future could lead to an early termination event under the A/R Programs, which could require us to cease our use of such facilities, prohibiting us from additional borrowings against our receivables or, at the discretion of the lenders, requiring that we repay the A/R Programs in full. An early termination event under the A/R Programs would also constitute an event of default under our Senior Credit Facilities, which could require us to pay off the balance of the Senior Credit Facilities in full and could result in the loss of our Senior Credit Facilities.

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We are exposed to market risks, such as changes in interest rates, foreign exchange rates and commodity pricing risks. From time to time, we enter into transactions, including transactions involving derivative instruments, to manage certain of these exposures.

All derivatives, whether designated as hedging relationships or not, are recorded on our balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged items are recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in accumulated other comprehensive loss, to the extent effective, and will be recognized in the income statement when the hedged item affects earnings. To the extent applicable, we perform effectiveness assessments in order to use hedge accounting at each reporting period. For a derivative that does not qualify as a hedge, changes in fair value are recognized in earnings.

We also hedge our net investment in certain European operations. Changes in the fair value of the hedge in the net investment of certain European operations are recorded as an unrealized currency translation adjustment in accumulated other comprehensive loss.

Our revenues and expenses are denominated in various foreign currencies, and our cash flows and earnings are thus subject to fluctuations due to exchange rate variations. From time to time, we may enter into foreign currency derivative instruments to minimize the short-term impact of movements in foreign currency rates. Where practicable, we generally net multicurrency cash balances among our subsidiaries to help reduce exposure to foreign currency exchange



Table of Contents

rates. Certain other exposures may be managed from time to time through financial market transactions, principally through the purchase of spot or forward foreign exchange contracts (generally with maturities of one year or less). We do not hedge our foreign currency exposures in a manner that would eliminate the effect of changes in exchange rates on our cash flows and earnings. As of June 30, 2017, we had approximately \$146 million in notional amount (in U.S. dollar equivalents) outstanding in forward foreign currency contracts.

Huntsman International had entered into several interest rate contracts to hedge the variability caused by monthly changes in cash flow due to associated changes in LIBOR under our Senior Credit Facilities. These swaps were designated as cash flow hedges and the effective portion of the changes in the fair value of the swaps were recorded in other comprehensive income (loss). These swaps expired in April 2017.

Beginning in 2009, Arabian Amines Company entered into a 12-year floating to fixed interest rate contract providing for a receipt of LIBOR interest payments for a fixed payment of 5.02%. In connection with the consolidation of Arabian Amines Company as of July 1, 2010, the interest rate contract is now included in our consolidated results. See “Note 5. Variable Interest Entities.” The notional amount of the swap as of June 30, 2017 was \$16 million, and the interest rate contract is not designated as a cash flow hedge. As of June 30, 2017, the fair value of the swap was \$1 million and was recorded in noncurrent liabilities on our condensed consolidated balance sheets. For each of the six months ended June 30, 2017 and 2016, we recorded a reduction of interest expense of nil due to changes in fair value of the swap.

In November 2014, we entered into two five year cross-currency interest rate contracts and one eight year cross-currency interest rate contract to swap an aggregate notional \$200 million for an aggregate notional €161 million. This swap is designated as a hedge of net investment for financial reporting purposes. Under the cross-currency interest rate contract, we will receive fixed U.S. dollar payments of \$5 million semiannually on May 15 and November 15 (equivalent to an annual rate of 5.125%) and make interest payments of approximately €3 million (equivalent to an annual rate of approximately 3.6%). As of June 30, 2017, the fair value of this swap was \$16 million and was recorded in noncurrent assets on our condensed consolidated balance sheets.

A portion of our debt is denominated in euros. We also finance certain of our non-U.S. subsidiaries with intercompany loans that are, in many cases, denominated in currencies other than the entities’ functional currency. We manage the net foreign currency exposure created by this debt through various means, including cross-currency swaps, the designation of certain intercompany loans as permanent loans because they are not expected to be repaid in the foreseeable future and the designation of certain debt and swaps as net investment hedges.

Foreign currency transaction gains and losses on intercompany loans that are not designated as permanent loans are recorded in earnings. Foreign currency transaction gains and losses on intercompany loans that are designated as permanent loans are recorded in other comprehensive income on our condensed statements of comprehensive income. From time to time, we review such designation of intercompany loans.

We review our non-U.S. dollar denominated debt and derivative instruments to determine the appropriate amounts designated as hedges. As of June 30, 2017, we have designated approximately €746 million (approximately \$846 million) of euro-denominated debt and cross-currency interest rate contracts as a hedge of our net investment. For the six months ended June 30, 2017, the amount of loss recognized on the hedge of our net investment was \$54 million and was recorded in other comprehensive income (loss) on our condensed consolidated statements of comprehensive income.

## 9. FAIR VALUE

The fair values of financial instruments were as follows (dollars in millions):

|   | June 30, 2017  |                      | December 31, 2016 |                      |
|---|----------------|----------------------|-------------------|----------------------|
|   | Carrying Value | Estimated Fair Value | Carrying Value    | Estimated Fair Value |
| Non-qualified employee benefit plan investments | \$ 29          | \$ 29                | \$ 27             | \$ 27                |
| Investments in equity securities                | 5              | 5                    | 18                | 18                   |
| Cross-currency interest rate contracts          | 16             | 16                   | 29                | 29                   |
| Interest rate contracts                         | (1)            | (1)                  | (2)               | (2)                  |
| Long-term debt (including current portion)      | (4,116)        | (4,381)              | (4,195)           | (4,368)              |

Table of Contents

The carrying amounts reported in our condensed consolidated balance sheets of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The fair values of non-qualified employee benefit plan investments and investments in equity securities are obtained through market observable pricing using prevailing market prices. The estimated fair values of our long-term debt are based on quoted market prices for the identical liability when traded as an asset in an active market (Level 1).

The fair value estimates presented herein are based on pertinent information available to management as of June 30, 2017 and December 31, 2016. The estimated fair value amounts have not been comprehensively revalued for purposes of these financial statements since June 30, 2017 and current estimates of fair value may differ significantly from the amounts presented herein.

The following assets and liabilities are measured at fair value on a recurring basis (dollars in millions):

| Description                                     | June 30,<br>2017     | Fair Value Amounts Using   |  |   |
|---|----------------------|--|--|---|
|   |                      | Quoted prices<br>in<br>active<br>markets<br>for<br>identical<br>assets (Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>other<br>unobservable<br>inputs<br>(Level 3) |
| <b>Assets:</b>                                  |                      |  |  |   |
| Available-for sale equity securities:           |                      |  |  |   |
| Non-qualified employee benefit plan investments | \$ 29                | \$ 29  | \$ —   | \$ —  |
| Investments in equity securities                | 5                    | 5  | —  | —   |
| Derivatives:                                    |                      |  |  |   |
| Cross-currency interest rate contracts(1)       | 16                   | —  | —  | 16  |
| <b>Total assets</b>                             | <b>\$ 50</b>         | <b>\$ 34</b>   | <b>\$ —</b>                                      | <b>\$ 16</b>  |
| <b>Liabilities:</b>                             |                      |  |  |   |
| Derivatives:                                    |                      |  |  |   |
| Interest rate contracts(2)                      | \$ (1)               | \$ —   | \$ (1)   | \$ —  |
| <br>  |                      |  |  |   |
| Description                                     | December 31,<br>2016 | Fair Value Amounts Using   |  |   |
|   |                      | Quoted prices<br>in<br>active<br>markets<br>for<br>identical<br>assets (Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>other<br>unobservable<br>inputs<br>(Level 3) |

Edgar Filing: Huntsman CORP - Form 10-Q

Assets:

Available-for sale equity securities:

|   |       |       |      |      |
|---|-------|-------|------|------|
| Non-qualified employee benefit plan investments | \$ 27 | \$ 27 | \$ — | \$ — |
| Investments in equity securities                | 18    | 18    | —    | —    |

Derivatives:

|   |       |       |      |       |
|---|-------|-------|------|-------|
| Cross-currency interest rate contracts(1) | 29    | —     | —    | 29    |
| Total assets                              | \$ 74 | \$ 45 | \$ — | \$ 29 |

Liabilities:

Derivatives:

|                            |        |      |        |      |
|----------------------------|--------|------|--------|------|
| Interest rate contracts(2) | \$ (2) | \$ — | \$ (2) | \$ — |
|----------------------------|--------|------|--------|------|

(1) The income approach is used to calculate the fair value of these instruments. Fair value represents the present value of estimated future cash flows, calculated using relevant interest rates, exchange rates, and yield curves at stated intervals. There were no material changes to the valuation methods or assumptions used to determine the fair value during the current period.

In November 2014, we entered into two five year cross-currency interest rate contracts and one eight year cross-currency interest rate contract. These instruments have been categorized by us as Level 3 within the fair value hierarchy due to unobservable inputs associated with the credit valuation adjustment, which we deemed to be significant inputs to the overall measurement of fair value at inception.

Table of Contents

(2) The income approach is used to calculate the fair value of these instruments. Fair value represents the present value of estimated future cash flows, calculated using relevant interest rates and yield curves at stated intervals. There were no material changes to the valuation methods or assumptions used to determine the fair value during the current period.

(3) There were no transfers between Levels 1 and 2 within the fair value hierarchy during the six months ended June 30, 2017 and the year ended December 31, 2016.

The following table shows a reconciliation of beginning and ending balances for the three and six months ended June 30, 2017 and 2016 for instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (dollars in millions).

|   | Three months<br>ended<br>June 30, 2017<br>Cross-Currency Interest<br>Rate Contracts | Six months<br>ended<br>June 30, 2017<br>Cross-Currency Interest<br>Rate Contracts |
|---|---|---|
| Fair Value Measurements Using Significant Unobservable Inputs<br>(Level 3)  |   |   |
| Beginning balance   | \$ 29   | \$ 29   |
| Transfers into Level 3  | —   | —   |
| Transfers out of Level 3  | —   | —   |
| Total (losses) gains:   |   |   |
| Included in earnings  | —   | —   |
| Included in other comprehensive income (loss)   | (13)  | (13)  |
| Purchases, sales, issuances and settlements   | —   | —   |
| Ending balance, June 30, 2017   | \$ 16   | \$ 16   |
| The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at June 30, 2017 | \$ —  | \$ —  |

|  | Three months<br>ended<br>June 30, 2016<br>Cross-Currency Interest<br>Rate Contracts | Six months<br>ended<br>June 30, 2016<br>Cross-Currency Interest<br>Rate Contracts |
|--|---|---|
| Fair Value Measurements Using Significant Unobservable Inputs<br>(Level 3) |   |   |
| Beginning balance  | \$ 20   | \$ 28   |
| Transfers into Level 3   | —   | —   |
| Transfers out of Level 3   | —   | —   |
| Total (losses) gains:  |   |   |
| Included in earnings   | —   | —   |
| Included in other comprehensive income (loss)                              | 6   | (2)   |

Edgar Filing: Huntsman CORP - Form 10-Q

|   |    |    |    |    |
|---|----|----|----|----|
| Purchases, sales, issuances and settlements   |    | —  |    | —  |
| Ending balance, June 30, 2016   | \$ | 26 | \$ | 26 |
| The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at June 30, 2016 | \$ | —  | \$ | —  |

Gains and losses (realized and unrealized) included in earnings for instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are reported in interest expense and other comprehensive income (loss) as follows (dollars in millions):

Table of Contents

|  | Three months<br>ended<br>June 30, 2017          | Other | Six months<br>ended<br>June 30, 2017            | Other |
|--|---|-------|---|-------|
| 2017   | Interest comprehensive<br>expense/income (loss) |       | Interest comprehensive<br>expense/income (loss) |       |
| Total net gains included in earnings   | \$ —  | \$ —  | \$ —  | \$ —  |
| Changes in unrealized losses relating to assets still held at June 30,<br>2017 | —   | (13)  | —   | (13)  |

|  | Three months<br>ended<br>June 30, 2016          | Other | Six months<br>ended<br>June 30, 2016            | Other |
|--|---|-------|---|-------|
| 2016   | Interest comprehensive<br>expense/income (loss) |       | Interest comprehensive<br>expense/income (loss) |       |
| Total net gains included in earnings   | \$ —  | \$ —  | \$ —  | \$ —  |
| Changes in unrealized losses relating to assets still held at June 30,<br>2016 | —   | 6     | —   | (2)   |

We also have assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These assets include property, plant and equipment and those associated with acquired businesses, including goodwill and intangible assets. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if one or more is determined to be impaired. During the six months ended June 30, 2017 and 2016, we recorded charges of \$3 million and \$1 million, respectively, for the impairment of long-lived assets.

## 10. EMPLOYEE BENEFIT PLANS

Components of the net periodic benefit costs for the three and six months ended June 30, 2017 and 2016 were as follows (dollars in millions):

Huntsman Corporation

Other Postretirement

Edgar Filing: Huntsman CORP - Form 10-Q

|                                       | Defined Benefit Plans       |       | Benefit Plans               |      |
|---------------------------------------|-----------------------------|-------|-----------------------------|------|
|                                       | Three months ended June 30, |       | Three months ended June 30, |      |
|                                       | 2017                        | 2016  | 2017                        | 2016 |
| Service cost                          | \$ 17                       | \$ 16 | \$ 1                        | \$ — |
| Interest cost                         | 26                          | 31    | 1                           | 1    |
| Expected return on assets             | (50)                        | (48)  | —                           | —    |
| Amortization of prior service benefit | (1)                         | (3)   | (2)                         | (1)  |
| Amortization of actuarial loss        | 22                          | 18    | 1                           | —    |
| Special termination benefits          | 1                           | —     | —                           | —    |
| Net periodic benefit cost             | \$ 15                       | \$ 14 | \$ 1                        | \$ — |

|                                       | Defined Benefit Plans     |       | Other Postretirement Benefit Plans |      |
|---------------------------------------|---------------------------|-------|------------------------------------|------|
|                                       | Six months ended June 30, |       | Six months ended June 30,          |      |
|                                       | 2017                      | 2016  | 2017                               | 2016 |
| Service cost                          | \$ 34                     | \$ 32 | \$ 1                               | \$ 1 |
| Interest cost                         | 51                        | 61    | 2                                  | 2    |
| Expected return on assets             | (98)                      | (95)  | —                                  | —    |
| Amortization of prior service benefit | (3)                       | (5)   | (4)                                | (3)  |
| Amortization of actuarial loss        | 44                        | 34    | 2                                  | 1    |
| Special termination benefits          | 1                         | —     | —                                  | —    |
| Net periodic benefit cost             | \$ 29                     | \$ 27 | \$ 1                               | \$ 1 |



Table of Contents

## Huntsman International

|                                       | Defined Benefit Plans             |       | Other Postretirement<br>Benefit Plans |      |
|---------------------------------------|-----------------------------------|-------|---------------------------------------|------|
|                                       | Three months<br>ended<br>June 30, |       | Three months<br>ended<br>June 30,     |      |
|                                       | 2017                              | 2016  | 2017                                  | 2016 |
| Service cost                          | \$ 17                             | \$ 16 | \$ 1                                  | \$ — |
| Interest cost                         | 26                                | 31    | 1                                     | 1    |
| Expected return on assets             | (50)                              | (48)  | —                                     | —    |
| Amortization of prior service benefit | (1)                               | (3)   | (2)                                   | (1)  |
| Amortization of actuarial loss        | 24                                | 19    | 1                                     | —    |
| Special termination benefits          | 1                                 | —     | —                                     | —    |
| Net periodic benefit cost             | \$ 17                             | \$ 15 | \$ 1                                  | \$ — |

Table of Contents

|                                       | Defined Benefit Plans           |       | Other Postretirement<br>Benefit Plans |      |
|---------------------------------------|---------------------------------|-------|---------------------------------------|------|
|                                       | Six months<br>ended<br>June 30, |       | Six months<br>ended<br>June 30,       |      |
|                                       | 2017                            | 2016  | 2017                                  | 2016 |
| Service cost                          | \$ 34                           | \$ 32 | \$ 1                                  | \$ 1 |
| Interest cost                         | 51                              | 61    | 2                                     | 2    |
| Expected return on assets             | (98)                            | (95)  | —                                     | —    |
| Amortization of prior service benefit | (3)                             | (5)   | (4)                                   | (3)  |
| Amortization of actuarial loss        | 48                              | 37    | 2                                     | 1    |
| Special termination benefits          | 1                               | —     | —                                     | —    |
| Net periodic benefit cost             | \$ 33                           | \$ 30 | \$ 1                                  | \$ 1 |

During the three months ended June 30, 2017 and 2016, we made contributions to our pension and other postretirement benefit plans of \$39 million and \$38 million, respectively. During the remainder of 2017, we expect to contribute an additional amount of approximately \$80 million to these plans.

## 11. COMMON STOCK DIVIDENDS

During each of the quarters ended June 30, 2017 and 2016 and March 31, 2017 and 2016, we paid dividends of \$30 million, or \$0.125 per share, to common stockholders.

## 12. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) and changes in accumulated other comprehensive loss by component were as follows (dollars in millions):

Huntsman Corporation

Edgar Filing: Huntsman CORP - Form 10-Q

|   | Foreign<br>currency<br>translation<br>adjustment(a) | Pension and<br>other<br>postretirement<br>benefits<br>adjustments(b) | Other<br>comprehensive<br>income of<br>unconsolidated<br>affiliates | Other, net | Total      | Amounts<br>attributable to<br>noncontrolling<br>interests | Amounts<br>attributable to<br>Huntsman<br>Corporation |
|---|---|--|---|------------|------------|---|---|
| Beginning balance,<br>January 1, 2017   | \$ (459)  | \$ (1,275)   | \$ 4  | \$ 23      | \$ (1,707) | \$ 36   | \$ (1,671)  |
| Other comprehensive<br>income before<br>reclassifications, gross                  | 118   | —  | —   | 6          | 124        | (7)   | 117   |
| Tax benefit   | 17  | —  | —   | —          | 17         | —   | 17  |
| Amounts reclassified<br>from accumulated<br>other comprehensive<br>loss, gross(c) | —   | 39   | —   | (8)        | 31         | —   | 31  |
| Tax expense   | —   | (2)  | —   | —          | (2)        | —   | (2)   |
| Net current-period<br>other comprehensive<br>income (loss)                        | 135   | 37   | —   | (2)        | 170        | (7)   | 163   |
| Ending balance,<br>June 30, 2017  | \$ (324)  | \$ (1,238)   | \$ 4  | \$ 21      | \$ (1,537) | \$ 29   | \$ (1,508)  |

(a) Amounts are net of tax of \$83 and \$100 as of June 30, 2017 and January 1, 2017, respectively.

(b) Amounts are net of tax of \$175 and \$177 as of June 30, 2017 and January 1, 2017, respectively.

(c) See table below for details about these reclassifications.

|   | Foreign<br>currency<br>translation<br>adjustment(a) | Pension and<br>other<br>postretirement<br>benefits<br>adjustments(b) | Other<br>comprehensive<br>income of<br>unconsolidated<br>affiliates | Other, net | Total      | Amounts<br>attributable to<br>noncontrolling<br>interests | Amounts<br>attributable to<br>Huntsman<br>Corporation |
|---|---|--|---|------------|------------|---|---|
| Beginning balance,<br>January 1, 2016   | \$ (288)  | \$ (1,056)   | \$ 11   | \$ 17      | \$ (1,316) | \$ 28   | \$ (1,288)  |
| Other comprehensive<br>(loss) income before<br>reclassifications, gross           | (30)  | —  | (8)   | 2          | (36)       | —   | (36)  |
| Tax benefit   | 4   | —  | —   | —          | 4          | —   | 4   |
| Amounts reclassified<br>from accumulated<br>other comprehensive<br>loss, gross(c) | —   | 27   | —   | —          | 27         | —   | 27  |
| Tax expense   | —   | (3)  | —   | —          | (3)        | —   | (3)   |
| Net current-period<br>other comprehensive<br>(loss) income                        | (26)  | 24   | (8)   | 2          | (8)        | —   | (8)   |

Edgar Filing: Huntsman CORP - Form 10-Q

|                                  |          |            |      |       |            |       |            |
|----------------------------------|----------|------------|------|-------|------------|-------|------------|
| Ending balance,<br>June 30, 2016 | \$ (314) | \$ (1,032) | \$ 3 | \$ 19 | \$ (1,324) | \$ 28 | \$ (1,296) |
|----------------------------------|----------|------------|------|-------|------------|-------|------------|

---

(a) Amounts are net of tax of \$86 and \$90 as of June 30, 2016 and January 1, 2016, respectively.

36

---

Table of Contents

(b) Amounts are net of tax of \$132 and \$135 as of June 30, 2016 and January 1, 2016, respectively.

(c) See table below for details about these reclassifications.

|  | Three months<br>ended<br>June 30, 2017<br>Amount<br>reclassified<br>from<br>accumulated<br>other<br>comprehensive<br>loss | Six months<br>ended<br>June 30, 2017<br>Amount<br>reclassified<br>from<br>accumulated<br>other<br>comprehensive<br>loss | Affected line item in<br>the statement<br>where net income<br>is presented |
|--|---|---|--|
| Details about Accumulated Other                            |   |   |  |
| Comprehensive Loss Components(a):                          |   |   |  |
| Amortization of pension and other postretirement benefits: |   |   |  |
| Prior service credit                                       | \$ (3)  | \$ (7)  | (b)  |
| Actuarial loss   | 23  | 46  | (b)(c)   |
|  | 20  | 39  | Total before tax   |
|  | (1)   | (2)   | Income tax expense   |
| Total reclassifications for the period                     | \$ 19   | \$ 37   | Net of tax   |

|  | Three months<br>ended<br>June 30, 2016<br>Amount<br>reclassified<br>from<br>accumulated<br>other<br>comprehensive<br>loss | Six months<br>ended<br>June 30, 2016<br>Amount<br>reclassified<br>from<br>accumulated<br>other<br>comprehensive<br>loss | Affected line item in<br>the statement<br>where net income<br>is presented |
|--|---|---|--|
| Details about Accumulated Other                            |   |   |  |
| Comprehensive Loss Components(a):                          |   |   |  |
| Amortization of pension and other postretirement benefits: |   |   |  |
| Prior service credit                                       | \$ (4)  | \$ (8)  | (b)  |
| Actuarial loss   | 16  | 35  | (b)(c)   |
|  | 12  | 27  | Total before tax   |
|  | (3)   | (3)   | Income tax expense   |
| Total reclassifications for the period                     | \$ 9  | \$ 24   | Net of tax   |

(a) Pension and other postretirement benefits amounts in parentheses indicate credits on our condensed consolidated statements of operations.

- (b) These accumulated other comprehensive loss components are included in the computation of net periodic pension costs. See “Note 10. Employee Benefit Plans.”
  
- (c) Amounts contain approximately \$1 million of actuarial losses related to discontinued operations for both of the three months ended June 30, 2017 and 2016 and \$2 million of actuarial losses related to discontinued operations for both of the six months ended June 30, 2017 and 2016.

Table of Contents

## Huntsman International

|   | Foreign<br>currency<br>translation<br>adjustment(a) | Pension<br>and other<br>postretirement<br>benefits<br>adjustments(b) | Other<br>comprehensive<br>income of<br>unconsolidated<br>affiliates | Other, net | Total      | Amounts<br>attributable to<br>noncontrolling<br>interests | Amounts<br>attributable to<br>Huntsman<br>International |
|---|---|--|---|------------|------------|---|---|
| Beginning balance,<br>January 1, 2017   | \$ (462)  | \$ (1,286)   | \$ 4  | \$ 17      | \$ (1,727) | \$ 36   | \$ (1,691)  |
| Other comprehensive<br>income before<br>reclassifications, gross                  | 117   | —  | —   | 6          | 123        | (7)   | 116   |
| Tax benefit   | 17  | —  | —   | —          | 17         | —   | 17  |
| Amounts reclassified<br>from accumulated<br>other comprehensive<br>loss, gross(c) | —   | 43   | —   | (8)        | 35         | —   | 35  |
| Tax expense   | —   | (2)  | —   | —          | (2)        | —   | (2)   |
| Net current-period<br>other comprehensive<br>income (loss)                        | 134   | 41   | —   | (2)        | 173        | (7)   | 166   |
| Ending balance,<br>June 30, 2017  | \$ (328)  | \$ (1,245)   | \$ 4  | \$ 15      | \$ (1,554) | \$ 29   | \$ (1,525)  |

(a) Amounts are net of tax of \$69 and \$86 as of June 30, 2017 and January 1, 2017, respectively.

(b) Amounts are net of tax of \$203 and \$205 as of June 30, 2017 and January 1, 2017, respectively.

(c) See table below for details about these reclassifications.

|   | Foreign<br>currency<br>translation<br>adjustment(a) | Pension<br>and other<br>postretirement<br>benefits<br>adjustments(b) | Other<br>comprehensive<br>income of<br>unconsolidated<br>affiliates | Other, net | Total      | Amounts<br>attributable to<br>noncontrolling<br>interests | Amounts<br>attributable to<br>Huntsman<br>International |
|---|---|--|---|------------|------------|---|---|
| Beginning balance,<br>January 1, 2016                                   | \$ (292)  | \$ (1,074)   | \$ 11   | \$ 11      | \$ (1,344) | \$ 28   | \$ (1,316)  |
| Other comprehensive<br>(loss) income before<br>reclassifications, gross | (30)  | —  | (8)   | 3          | (35)       | —   | (35)  |
| Tax benefit   | 4   | —  | —   | —          | 4          | —   | 4   |
|   | —   | 30   | —   | —          | 30         | —   | 30  |

Edgar Filing: Huntsman CORP - Form 10-Q

|  |          |            |      |       |            |       |            |
|--|----------|------------|------|-------|------------|-------|------------|
| Amounts reclassified from accumulated other comprehensive loss, gross(c) |          |            |      |       |            |       |            |
| Tax expense  | —        | (4)        | —    | —     | (4)        | —     | (4)        |
| Net current-period other comprehensive income (loss)                     | (26)     | 26         | (8)  | 3     | (5)        | —     | (5)        |
| Ending balance, June 30, 2016  | \$ (318) | \$ (1,048) | \$ 3 | \$ 14 | \$ (1,349) | \$ 28 | \$ (1,321) |

(a) Amounts are net of tax of \$72 and \$76 as of June 30, 2016 and January 1, 2016, respectively.

(b) Amounts are net of tax of \$159 and \$163 as of both June 30, 2016 and January 1, 2016, respectively.

(c) See table below for details about these reclassifications.

|  | Three months ended<br>June 30, 2017<br>Amount reclassified from accumulated other comprehensive loss | Six months ended<br>June 30, 2017<br>Amount reclassified from accumulated other comprehensive loss | Affected line item in the statement where net income is presented |
|--|--|--|---|
| Details about Accumulated Other                            |  |  |   |
| Comprehensive Loss Components(a):                          |  |  |   |
| Amortization of pension and other postretirement benefits: |  |  |   |
| Prior service credit                                       | \$ (3)   | \$ (7)   | (b)   |
| Actuarial loss   | 25   | 50   | (b)(c)  |
|  | 22   | 43   | Total before tax  |
|  | (1)  | (2)  | Income tax expense  |
| Total reclassifications for the period                     | \$ 21  | \$ 41  | Net of tax  |



Table of Contents

|  | Three months<br>ended<br>June 30, 2016<br>Amount<br>reclassified<br>from<br>accumulated<br>other<br>comprehensive<br>loss | Six months<br>ended<br>June 30, 2016<br>Amount<br>reclassified<br>from<br>accumulated<br>other<br>comprehensive<br>loss | Affected line item in<br>the statement<br>where net income<br>is presented |
|--|---|---|--|
| Details about Accumulated Other                            |   |   |  |
| Comprehensive Loss Components(a):                          |   |   |  |
| Amortization of pension and other postretirement benefits: |   |   |  |
| Prior service credit                                       | \$ (4)  | \$ (8)  | (b)  |
| Actuarial loss   | 19  | 38  | (b)(c)   |
|  | 15  | 30  | Total before tax   |
|  | (4)   | (4)   | Income tax expense   |
| Total reclassifications for the period                     | \$ 11   | \$ 26   | Net of tax   |

- (a) Pension and other postretirement benefits amounts in parentheses indicate credits on our condensed consolidated statements of operations.
- (b) These accumulated other comprehensive loss components are included in the computation of net periodic pension costs. See “Note 10. Employee Benefit Plans.”
- (c) Amounts contain approximately \$1 million of actuarial losses related to discontinued operations for both the three months ended June 30, 2017 and 2016 and \$2 million of actuarial losses related to discontinued operations for both the six months ended June 30, 2017 and 2016.

## 13. COMMITMENTS AND CONTINGENCIES

## LEGAL MATTERS

## Product Delivery Claim

We have been notified by a customer of potential claims related to our alleged delivery of a different product than the one the customer had ordered. Our customer claims that it was unaware that the different product had been delivered until after that product had been used to manufacture materials which were subsequently sold. Originally, the customer stated that it had been notified of claims by its customers of up to an aggregate of €153 million (approximately \$173 million) relating to this matter and claimed that we may be responsible for all or a portion of these potential claims. Our customer has since resolved some of these claims and the aggregate amount of the current claims is now approximately €113 million (approximately \$128 million). Based on the facts currently available, we believe that we are insured for any liability we may ultimately have in excess of \$10 million. However, no assurance can be given regarding our ultimate liability or costs. We believe our range of possible loss in this matter is between €0 and €113 million (approximately \$128 million), and we have made no accrual with respect to this matter.

#### Indemnification Matters

On July 3, 2012, Deutsche Bank Securities Inc. and Credit Suisse Securities (USA) LLC (“the Banks”) demanded that we indemnify them for claims brought against them by certain MatlinPatterson entities that were formerly our stockholders (“MatlinPatterson”) in litigation filed by MatlinPatterson on June 19, 2012 in the 9th District Court in Montgomery County, Texas (the “Texas Litigation”). We denied the Banks’ indemnification demand for the Texas Litigation. These claims allegedly arose from the failed acquisition by and merger with Hexion. The Texas Litigation was dismissed, which was upheld by the Ninth Court of Appeals and the Texas Supreme Court denied review by final order entered January 7, 2016.

On July 14, 2014, the Banks demanded that we indemnify them for additional claims brought against them by certain other former Company stockholders in litigation filed June 14, 2014 in the United States District Court for the Eastern District of Wisconsin (the “Wisconsin Litigation”). We denied the Banks’ indemnification demand for the Wisconsin Litigation and have made no accrual with respect to this matter. The stockholders in the Wisconsin Litigation have made essentially the same factual allegations as MatlinPatterson made in the Texas Litigation and, additionally,

## Table of Contents

have named Apollo Global Management LLC and Apollo Management Holdings, L.P. as defendants. Stockholder plaintiffs in the Wisconsin Litigation assert claims for misrepresentation and conspiracy to defraud. On June 30, 2016, the plaintiffs voluntarily dismissed the Apollo defendants and on December 5, 2016, the court dismissed Deutsche Bank for lack of personal jurisdiction, but denied Credit Suisse's motion to dismiss. Subsequently, Credit Suisse asked the court to reconsider its decision or certify its judgment to the Seventh Circuit Court of Appeals for an immediate appeal, which remains pending.

## Other Proceedings

We are a party to various other proceedings instituted by private plaintiffs, governmental authorities and others arising under provisions of applicable laws, including various environmental, products liability and other laws. Except as otherwise disclosed in this report, we do not believe that the outcome of any of these matters will have a material effect on our financial condition, results of operations or liquidity.

## 14. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

### EHS CAPITAL EXPENDITURES

We may incur future costs for capital improvements and general compliance under environmental, health and safety (“EHS”) laws, including costs to acquire, maintain and repair pollution control equipment. For the six months ended June 30, 2017 and 2016, our capital expenditures for EHS matters totaled \$17 million and \$22 million, respectively. Because capital expenditures for these matters are subject to evolving regulatory requirements and depend, in part, on the timing, promulgation and enforcement of specific requirements, our capital expenditures for EHS matters have varied significantly from year to year and we cannot provide assurance that our recent expenditures are indicative of future amounts we may spend related to EHS and other applicable laws.

### ENVIRONMENTAL RESERVES

We have accrued liabilities relating to anticipated environmental cleanup obligations, site reclamation and closure costs and known penalties. Liabilities are recorded when potential liabilities are either known or considered probable and can be reasonably estimated. Our liability estimates are calculated using present value techniques as appropriate and are based upon requirements placed upon us by regulators, available facts, existing technology and past experience. The environmental liabilities do not include amounts recorded as asset retirement obligations. We had accrued \$35 million and \$34 million for environmental liabilities as of June 30, 2017 and December 31, 2016, respectively. Of these amounts, \$6 million and \$7 million were classified as accrued liabilities in each of our

condensed consolidated balance sheets as of June 30, 2017 and December 31, 2016, respectively, and \$29 million and \$27 million were classified as other noncurrent liabilities in our condensed consolidated balance sheets as of June 30, 2017 and December 31, 2016, respectively. In certain cases, our remediation liabilities may be payable over periods of up to 30 years. We may incur losses for environmental remediation in excess of the amounts accrued; however, we are not able to estimate the amount or range of such potential excess.

## ENVIRONMENTAL MATTERS

Under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and similar state laws, a current or former owner or operator of real property in the U.S. may be liable for remediation costs regardless of whether the release or disposal of hazardous substances was in compliance with law at the time it occurred, and a current owner or operator may be liable regardless of whether it owned or operated the facility at the time of the release. Outside the U.S., analogous contaminated property laws, such as those in effect in France and Australia, can hold past owners and/or operators liable for remediation at former facilities. Currently, there are approximately six former facilities or third-party sites in the U.S. for which we have been notified of potential claims against us for cleanup liabilities, including, but not limited to, sites listed under CERCLA. Based on current information and past experiences at other CERCLA sites, we do not expect these third-party claims to have a material impact on our condensed consolidated financial statements.

Under the Resource Conservation and Recovery Act ("RCRA") in the U.S. and similar state laws, we may be required to remediate contamination originating from our properties as a condition to our hazardous waste permit. Some of our manufacturing sites have an extended history of industrial chemical manufacturing and use, including on-site waste disposal. We are aware of soil, groundwater or surface contamination from past operations at some of our sites,

## Table of Contents

and we may find contamination at other sites in the future. For example, our Port Neches, Texas, and Geismar, Louisiana, facilities are the subject of ongoing remediation requirements imposed under RCRA. Similar laws exist in a number of locations in which we currently operate, or previously operated, manufacturing facilities, such as Australia, India, France, Hungary and Italy.

### West Footscray Remediation

By letter dated March 7, 2006, our former Base Chemicals and Polymers facility in West Footscray, Australia was issued a cleanup notice by the Environmental Protection Authority Victoria ("EPA Victoria") due to concerns about soil and groundwater contamination emanating from the site. On August 23, 2010, EPA Victoria revoked a second cleanup notice and issued a revised notice that included a requirement for financial assurance for the remediation. As of June 30, 2017, we had an accrued liability of approximately \$15 million related to estimated environmental remediation costs at this site. We can provide no assurance that the authority will not seek to institute additional requirements for the site or that additional costs will not be required for the cleanup.

### North Maybe Mine Remediation

The North Maybe Canyon Mine site is a CERCLA site and involves a former phosphorous mine near Soda Springs, Idaho, which is believed to have been operated by several companies, including a predecessor company to us. In 2004, the U.S. Forest Service notified us that we are a CERCLA potentially responsible party ("PRP") for contamination originating from the site. In February 2010, we and Wells Cargo (another PRP) agreed to conduct a Remedial Investigation/Feasibility Study of a portion of the site and are currently engaged in that process. At this time, we are unable to reasonably estimate our potential liabilities at this site.

### Port Neches Flaring Matter

As part of the Environmental Protection Agency's (the "EPA") national enforcement initiative on flaring operations and by letter dated October 12, 2012, the U.S. Department of Justice (the "DOJ") notified us that we were in violation of the Clean Air Act ("CAA") based on our response to a 2010 CAA Section 114 Information Request. The EPA has used the enforcement initiative to bring similar actions against refiners and other chemical manufacturers and has sought to collect civil penalties in excess of \$100,000. Specifically, the EPA alleged violations at our Port Neches, Texas facility from 2007-2012 for flare operations not consistent with good pollution control practice and not in compliance with certain flare-related regulations. As a result of these findings, the EPA referred this matter to the DOJ. We provided a formal response to the DOJ and the EPA with a supplemental data submission on April 29, 2013. We have been engaged in discussions with the DOJ and the EPA regarding these alleged violations. We are currently unable to determine the likelihood or magnitude of any potential penalty or injunctive relief that may be incurred in resolving this matter.

## 15. STOCK BASED COMPENSATION PLANS

On May 5, 2016, our stockholders approved a new Huntsman Corporation 2016 Stock Incentive Plan (the “2016 Stock Incentive Plan”), which reserved 8.2 million shares for issuance. The Huntsman Corporation Stock Incentive Plan, as amended and restated (the “Prior Plan”), remains in effect for outstanding awards granted pursuant to the Prior Plan, but no further awards may be granted under the Prior Plan. Under the 2016 Stock Incentive Plan we may grant nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, phantom stock, performance share units and other stock-based awards to our employees, directors and consultants and to employees and consultants of our subsidiaries, provided that incentive stock options may be granted solely to employees. The terms of the grants under both the 2016 Stock Incentive Plan and the Prior Plan are fixed at the grant date. As of June 30, 2017, we were authorized to grant up to 8.2 million shares under the 2016 Stock Incentive Plan. As of June 30, 2017, we had approximately 8 million shares remaining under the 2016 Stock Incentive Plan available for grant. Option awards have a maximum contractual term of 10 years and generally must have an exercise price at least equal to the market price of our common stock on the date the option award is granted. Outstanding stock-based awards generally vest annually over a three-year period.

Table of Contents

The compensation cost from continuing operations under the 2016 Stock Incentive Plan and the Prior Plan for our Company and Huntsman International were as follows (dollars in millions):

|  | Three months<br>ended<br>ended<br>June 30,<br>2017 |   | 2016 |   | Six months<br>ended<br>ended<br>June 30,<br>2017 |    | 2016 |    |
|--|--|---|------|---|--|----|------|----|
| Huntsman Corporation compensation cost   | \$   | 9 | \$   | 9 | \$   | 19 | \$   | 17 |
| Huntsman International compensation cost |  | 9 |      | 9 |  | 18 |      | 16 |

The total income tax benefit recognized in the condensed consolidated statements of operations for us and Huntsman International for stock-based compensation arrangements was \$4 million and \$3 million for the six months ended June 30, 2017 and 2016, respectively.

## STOCK OPTIONS

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes valuation model that uses the assumptions noted in the following table. Expected volatilities are based on the historical volatility of our common stock through the grant date. The expected term of options granted was estimated based on the contractual term of the instruments and employees' expected exercise and post-vesting employment termination behavior. The risk-free rate for periods within the contractual life of the option was based on the U.S. Treasury yield curve in effect at the time of grant. The assumptions noted below represent the weighted average of the assumptions utilized for stock options granted during the periods.

|  | Three months ended<br>ended<br>June 30,<br>2017 |   |     |   | 2016 |   |     |   | Six months ended<br>ended<br>June 30,<br>2017 |       |      |       | 2016 |       |      |       |
|--|---|---|-----|---|------|---|-----|---|---|-------|------|-------|------|-------|------|-------|
| Dividend yield   | 2.0   | % | 3.3 | % | 2.4  | % | 5.6 | % | 56.6  | %     | 57.7 | %     | 56.9 | %     | 57.9 | %     |
| Expected volatility                                      | 1.9   | % | 1.5 | % | 2.0  | % | 1.4 | % | 5.9   | years | 5.9  | years | 5.9  | years | 5.9  | years |
| Risk-free interest rate                                  |   |   |     |   |      |   |     |   |   |       |      |       |      |       |      |       |
| Expected life of stock options granted during the period |   |   |     |   |      |   |     |   |   |       |      |       |      |       |      |       |

A summary of stock option activity under the 2016 Stock Incentive Plan and the Prior Plan as of June 30, 2017 and changes during the six months then ended is presented below:

| Option Awards                  | Shares<br>(in thousands) | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term<br>(years) | Aggregate<br>Intrinsic<br>Value<br>(in millions) |
|--------------------------------|--------------------------|--|--|--|
| Outstanding at January 1, 2017 | 11,245                   | \$ 13.37                                 |  |  |
| Granted                        | 997                      | 21.04                                    |  |  |
| Exercised                      | (1,925)                  | 17.73                                    |  |  |
| Forfeited                      | (60)                     | 17.39                                    |  |  |
| Outstanding at June 30, 2017   | 10,257                   | 13.28                                    | 6.1  | \$ 129   |
| Exercisable at June 30, 2017   | 6,974                    | 12.96                                    | 4.8  | 90   |

The weighted average grant date fair value of stock options granted during the six months ended June 30, 2017 was \$9.26 per option. As of June 30, 2017, there was \$14 million of total unrecognized compensation cost related to nonvested stock option arrangements granted under the 2016 Stock Incentive Plan and the Prior Plan. That cost is expected to be recognized over a weighted-average period of approximately 2.1 years.

The total intrinsic value of stock options exercised during the six months ended June 30, 2017 and 2016 was approximately \$9 million and nil, respectively. Cash received from stock options exercised during the six months ended June 30, 2017 and 2016 was approximately \$20 million and nil, respectively. The cash tax benefit from stock options exercised during the six months ended June 30, 2017 and 2016 was approximately \$2 million and nil, respectively.



Table of Contents

## NONVESTED SHARES

Nonvested shares granted under the 2016 Stock Incentive Plan and the Prior Plan consist of restricted stock and performance share unit awards, which are accounted for as equity awards, and phantom stock, which is accounted for as a liability award because it can be settled in either stock or cash.

The fair value of each performance share unit award is estimated using a Monte Carlo simulation model that uses various assumptions, including an expected volatility rate and a risk-free interest rate. For the six months ended June 30, 2017 and 2016, the weighted-average expected volatility rate was 45.0% and 39.3%, respectively, and the weighted average risk-free interest rate was 1.5% and 0.9%, respectively. For the performance share unit awards granted in the six months ended June 30, 2017 and 2016, the number of shares earned varies based upon the Company achieving certain performance criteria over a three-year performance period. The performance criteria are total stockholder return of our common stock relative to the total stockholder return of a specified industry peer group for the three-year performance periods.

A summary of the status of our nonvested shares as of June 30, 2017 and changes during the six months then ended is presented below:

|                              | Equity Awards  |  | Liability Awards |  |
|------------------------------|----------------|--|------------------|--|
|                              | Shares         | Weighted Average Grant-Date Fair Value | Shares           | Weighted Average Grant-Date Fair Value |
|                              | (in thousands) |  | (in thousands)   |  |
| Nonvested at January 1, 2017 | 2,996          | \$ 13.36                               | 912              | \$ 12.27                               |
| Granted                      | 779            | 22.60                                  | 285              | 21.01                                  |
| Vested                       | (903) (1)      | 16.23                                  | (366)            | 14.07                                  |
| Forfeited                    | (15)           | 15.63                                  | (28)             | 12.48                                  |
| Nonvested at June 30, 2017   | 2,857          | 14.97                                  | 803              | 14.55                                  |

(1) As of June 30, 2017, a total of 480,604 restricted stock units were vested but not yet issued, of which 25,704 vested during the six months ended June 30, 2017. These shares have not been reflected as vested shares in this table because, in accordance with the restricted stock unit agreements, shares of common stock are not issued for vested restricted stock units until termination of employment.

As of June 30, 2017, there was \$42 million of total unrecognized compensation cost related to nonvested share compensation arrangements granted under the 2016 Stock Incentive Plan and the Prior Plan. That cost is expected to be recognized over a weighted average period of approximately 2.0 years. The value of share awards that vested during the six months ended June 30, 2017 and 2016 was \$20 million and \$15 million, respectively.

## 16. INCOME TAXES

We use the asset and liability method of accounting for income taxes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial and tax reporting purposes. We evaluate deferred tax assets to determine whether it is more likely than not that they will be realized. Valuation allowances are reviewed on an individual tax jurisdiction basis to analyze whether there is sufficient positive or negative evidence to support a change in judgment about the realizability of the related deferred tax assets. These conclusions require significant judgment. In evaluating the objective evidence that historical results provide, we consider the cyclical nature of our businesses and cumulative income or losses during the applicable period. Cumulative losses incurred over the applicable period limits our ability to consider other subjective evidence such as our projections for the future. Changes in expected future income in applicable jurisdictions could affect the realization of deferred tax assets in those jurisdictions.

During the six months ended June 30, 2017, we released a valuation allowance of \$7 million on certain net deferred assets of our Polyurethanes business in Italy. On March 1, 2017 and April 1, 2017, we demerged the Italian legal entities containing our Polyurethanes business from our combined Italian tax group. The historical and expected continued profitability of that Polyurethanes business resulted in the release of the associated valuation allowance. During the same period, we also released a valuation allowance of \$11 million on certain deferred tax assets in

Table of Contents

Luxembourg as a result of changes in estimated future taxable income resulting from increased intercompany receivables and, therefore, increased income in Luxembourg, our primary treasury center outside of the U.S.

During the six months ended June 30, 2017 and 2016, for unrecognized tax benefits that impact tax expense, we recorded a net increase in unrecognized tax benefits and a corresponding income tax expense of \$6 million and \$1 million, respectively. Additional increases and decreases in unrecognized tax benefits were offset by cash settlements or decreases in net deferred tax assets and, therefore, did not affect income tax expense.

Huntsman Corporation

We recorded income tax expense of \$68 million and \$59 million for the six months ended June 30, 2017 and 2016, respectively. Our tax expense is significantly affected by the mix of income and losses in the tax jurisdictions in which we operate, as impacted by the presence of valuation allowances in certain tax jurisdictions. Notably, we continue to earn a significant portion of our pre tax income in the United States with an approximate 35% federal and state blended effective tax rate. Higher earnings in countries with low tax rates and valuation allowances, and the release of the Italy valuation allowance, resulted in a lower effective tax rate through the second quarter of 2017.

Huntsman International

Huntsman International recorded income tax expense of \$67 million and \$58 million for the six months ended June 30, 2017 and 2016, respectively. Our tax expense is significantly affected by the mix of income and losses in the tax jurisdictions in which we operate, as impacted by the presence of valuation allowances in certain tax jurisdictions. Notably, we continue to earn a significant portion of our pre tax income in the United States with an approximate 35% federal and state blended effective tax rate. Higher earnings in countries with low tax rates and valuation allowances, and the release of the Italy valuation allowance, resulted in a lower effective tax rate through the second quarter of 2017.

17. NET INCOME PER SHARE

Basic income per share excludes dilution and is computed by dividing net income attributable to Huntsman Corporation common stockholders by the weighted average number of shares outstanding during the period. Diluted income per share reflects all potential dilutive common shares outstanding during the period and is computed by dividing net income available to Huntsman Corporation common stockholders by the weighted average number of shares outstanding during the period increased by the number of additional shares that would have been outstanding as dilutive securities.

Basic and diluted income per share is determined using the following information (in millions):

|  | Three months<br>ended<br>June 30,<br>2017 |       | Six months<br>ended<br>June 30,<br>2016 |        |
|--|---|-------|---|--------|
| Numerator:   |   |       |   |        |
| Basic and diluted income from continuing operations:                   |   |       |   |        |
| Income from continuing operations attributable to Huntsman Corporation | \$ 168                                    | \$ 88 | \$ 245                                  | \$ 145 |
| Basic and diluted net income:  |   |       |   |        |
| Net income attributable to Huntsman Corporation                        | \$ 167                                    | \$ 87 | \$ 243                                  | \$ 143 |
| Denominator:   |   |       |   |        |
| Weighted average shares outstanding                                    | 238.3                                     | 236.3 | 237.8                                   | 236.2  |
| Dilutive shares:   |   |       |   |        |
| Stock-based awards   | 5.4                                       | 3.2   | 5.4                                     | 2.1    |
| Total weighted average shares outstanding, including dilutive shares   | 243.7                                     | 239.5 | 243.2                                   | 238.3  |

Additional stock based awards of 2.0 million and 5.9 million weighted average equivalent shares of stock were outstanding during the three months ended June 30, 2017 and 2016, respectively, and 2.1 million and 7.8 million weighted average equivalent shares of stock were outstanding during the six months ended June 30, 2017 and 2016, respectively. However, these stock based awards were not included in the computation of diluted earnings per share for the three and six months ended June 30, 2017 and 2016 because the effect would be anti dilutive.

Table of Contents

## 18. OPERATING SEGMENT INFORMATION

We derive our revenues, earnings and cash flows from the manufacture and sale of a wide variety of differentiated and commodity chemical products. We have five operating segments, which are also our reportable segments: Polyurethanes, Performance Products, Advanced Materials, Textile Effects and Pigments and Additives. We have organized our business and derived our operating segments around differences in product lines.

The major products of each reportable operating segment are as follows:

| Segment                | Products   |
|------------------------|--|
| Polyurethanes          | MDI, PO, polyols, PG, TPU, aniline and MTBE  |
| Performance Products   | amines, surfactants, LAB, maleic anhydride, other performance chemicals, EG, olefins and technology licenses   |
| Advanced Materials     | basic liquid and solid epoxy resins; specialty resin compounds; cross linking, matting and curing agents; epoxy, acrylic and polyurethane based formulations |
| Textile Effects        | textile chemicals, dyes and digital inks   |
| Pigments and Additives | titanium dioxide, functional additives, color pigments, timber treatment and water treatment chemicals   |

Sales between segments are generally recognized at external market prices and are eliminated in consolidation. Adjusted EBITDA is presented as a measure of the financial performance of our global business units and for reporting the results of our operating segments. The adjusted EBITDA of operating segments excludes items that principally apply

Table of Contents

to our Company as a whole. The revenues and adjusted EBITDA for each of our reportable operating segments are as follows (dollars in millions):

|   | Three months<br>ended<br>June 30, |          | Six months<br>ended<br>June 30, |          |
|---|-----------------------------------|----------|---------------------------------|----------|
|   | 2017                              | 2016     | 2017                            | 2016     |
| <b>Revenues:</b>  |                                   |          |                                 |          |
| Polyurethanes   | \$ 1,022                          | \$ 976   | \$ 1,975                        | \$ 1,812 |
| Performance Products  | 561                               | 566      | 1,094                           | 1,102    |
| Advanced Materials  | 260                               | 261      | 519                             | 527      |
| Textile Effects   | 205                               | 198      | 393                             | 383      |
| Pigments and Additives                                      | 562                               | 576      | 1,099                           | 1,116    |
| Corporate and eliminations                                  | 6                                 | (33)     | 5                               | (41)     |
| Total   | \$ 2,616                          | \$ 2,544 | \$ 5,085                        | \$ 4,899 |
| <b>Huntsman Corporation:</b>                                |                                   |          |                                 |          |
| <b>Segment adjusted EBITDA(1):</b>                          |                                   |          |                                 |          |
| Polyurethanes   | \$ 167                            | \$ 171   | \$ 311                          | \$ 302   |
| Performance Products  | 102                               | 86       | 186                             | 178      |
| Advanced Materials  | 56                                | 58       | 110                             | 118      |
| Textile Effects   | 24                                | 24       | 45                              | 42       |
| Pigments and Additives                                      | 114                               | 31       | 183                             | 46       |
| Corporate and other(2)                                      | (50)                              | (45)     | (93)                            | (87)     |
| Total   | 413                               | 325      | 742                             | 599      |
| <b>Reconciliation of adjusted EBITDA to net income:</b>     |                                   |          |                                 |          |
| Interest expense  | (47)                              | (50)     | (95)                            | (100)    |
| Income tax expense—continuing operations                    | (45)                              | (32)     | (68)                            | (59)     |
| Income tax benefit—discontinued operations                  | —                                 | —        | 1                               | 1        |
| Depreciation and amortization                               | (108)                             | (109)    | (214)                           | (209)    |
| Net income attributable to noncontrolling interests         | 16                                | 7        | 32                              | 13       |
| <b>Other adjustments:</b>                                   |                                   |          |                                 |          |
| Business acquisition and integration expenses               | (4)                               | (4)      | (7)                             | (13)     |
| Merger costs  | (6)                               | —        | (6)                             | —        |
| EBITDA of discontinued operations                           | (1)                               | (1)      | (3)                             | (3)      |
| Loss on early extinguishment of debt                        | (1)                               | (2)      | (1)                             | (2)      |
| Certain legal settlements and related expenses              | (1)                               | —        | (1)                             | (1)      |
| Gain on sale of assets                                      | 9                                 | —        | 9                               | —        |
| Amortization of pension and postretirement actuarial losses | (22)                              | (17)     | (44)                            | (33)     |
| Net plant incident credits (costs)                          | 2                                 | 7        | (3)                             | 6        |
| Restructuring, impairment and plant closing costs           | (10)                              | (30)     | (46)                            | (43)     |
| Business separation expenses                                | (12)                              | —        | (21)                            | —        |
| Net income  | \$ 183                            | \$ 94    | \$ 275                          | \$ 156   |



Table of Contents

|   | Three months<br>ended<br>June 30, |        | Six months<br>ended<br>June 30, |        |
|---|-----------------------------------|--------|---------------------------------|--------|
|   | 2017                              | 2016   | 2017                            | 2016   |
| Huntsman International:                                     |                                   |        |                                 |        |
| Segment adjusted EBITDA(1):                                 |                                   |        |                                 |        |
| Polyurethanes   | \$ 167                            | \$ 171 | \$ 311                          | \$ 302 |
| Performance Products  | 102                               | 86     | 186                             | 178    |
| Advanced Materials  | 56                                | 58     | 110                             | 118    |
| Textile Effects   | 24                                | 24     | 45                              | 42     |
| Pigments and Additives                                      | 114                               | 31     | 183                             | 46     |
| Corporate and other(2)                                      | (50)                              | (43)   | (91)                            | (85)   |
| Total   | 413                               | 327    | 744                             | 601    |
| Reconciliation of adjusted EBITDA to net income:            |                                   |        |                                 |        |
| Interest expense  | (51)                              | (53)   | (102)                           | (106)  |
| Income tax expense—continuing operations                    | (44)                              | (31)   | (67)                            | (58)   |
| Income tax benefit—discontinued operations                  | —                                 | —      | 1                               | 1      |
| Depreciation and amortization                               | (104)                             | (106)  | (208)                           | (203)  |
| Net income attributable to noncontrolling interests         | 16                                | 7      | 32                              | 13     |
| Other adjustments:  |                                   |        |                                 |        |
| Business acquisition and integration expenses               | (4)                               | (4)    | (7)                             | (13)   |
| Merger costs  | (6)                               | —      | (6)                             | —      |
| EBITDA of discontinued operations                           | (1)                               | (1)    | (3)                             | (3)    |
| Loss on early extinguishment of debt                        | (1)                               | (2)    | (1)                             | (2)    |
| Certain legal settlements and related expenses              | (1)                               | —      | (1)                             | (1)    |
| Gain on sale of assets                                      | 9                                 | —      | 9                               | —      |
| Amortization of pension and postretirement actuarial losses | (24)                              | (21)   | (48)                            | (37)   |
| Net plant incident credits (costs)                          | 2                                 | 7      | (3)                             | 6      |
| Restructuring, impairment and plant closing costs           | (10)                              | (30)   | (46)                            | (43)   |
| Business separation expenses                                | (12)                              | —      | (21)                            | —      |
| Net income  | \$ 182                            | \$ 93  | \$ 273                          | \$ 155 |

(1) Segment adjusted EBITDA is defined as net income of Huntsman Corporation or Huntsman International, as appropriate, before interest, income tax, depreciation and amortization, net income attributable to noncontrolling interests and certain Corporate and other items, as well as eliminating the following adjustments: (a) business acquisition and integration expenses; (b) merger costs; (c) EBITDA from discontinued operations; (d) loss on early extinguishment of debt; (e) certain legal settlements and related expenses; (f) gain on sale of assets; (g) amortization of pension and postretirement actuarial losses; (h) net plant incident credits (costs); (i) restructuring, impairment and plant closing costs; and (j) business separation expenses.

(2) Corporate and other includes unallocated corporate overhead, unallocated foreign exchange gains and losses, LIFO inventory valuation reserve adjustments, loss on early extinguishment of debt, unallocated restructuring, impairment and plant closing costs, nonoperating income and expense, benzene sales and gains and losses on the disposition of corporate assets.



19. CONDENSED CONSOLIDATING FINANCIAL INFORMATION OF HUNTSMAN INTERNATIONAL LLC

The following unaudited condensed consolidating financial statements present, in separate columns, financial information for the following: Huntsman International (on a parent only basis), with its investment in subsidiaries recorded under the equity method; the Guarantors on a combined, and where appropriate, consolidated basis; and the Nonguarantors on a combined, and where appropriate, consolidated basis. Additional columns present eliminating adjustments and consolidated totals as of June 30, 2017 and December 31, 2016 and for the three and six months ended June 30, 2017 and 2016. There are no contractual restrictions limiting transfers of cash from the Guarantors to Huntsman International. Each of the Guarantors is 100% owned by Huntsman International and has fully and unconditionally guaranteed, subject to certain customary release provisions, Huntsman International's outstanding notes on a joint and several basis.

Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATING BALANCE SHEETS

AS OF JUNE 30, 2017

(In Millions)

|   | Parent<br>Company | Guarantors | Nonguarantors | Eliminations | Consolidated<br>Huntsman<br>International LLC |
|---|-------------------|------------|---------------|--------------|---|
| <b>ASSETS</b>                                 |                   |            |               |              |   |
| Current assets:                               |                   |            |               |              |   |
| Cash and cash equivalents                     | \$ 158            | \$ 1       | \$ 347        | \$ —         | \$ 506  |
| Restricted cash                               | —                 | —          | 11            | —            | 11  |
| Accounts and notes receivable, net            | 29                | 138        | 1,412         | 5            | 1,584   |
| Accounts receivable from affiliates           | 1,293             | 4,767      | 256           | (5,947)      | 369   |
| Inventories                                   | 86                | 309        | 1,130         | (5)          | 1,520   |
| Prepaid expenses                              | 37                | 59         | 35            | (74)         | 57  |
| Other current assets                          | 766               | 6          | 237           | (759)        | 250   |
| Total current assets                          | 2,369             | 5,280      | 3,428         | (6,780)      | 4,297   |
| Property, plant and equipment, net            | 461               | 1,376      | 2,374         | —            | 4,211   |
| Investment in unconsolidated<br>affiliates    | 6,358             | 1,913      | 253           | (8,199)      | 325   |
| Intangible assets, net                        | 27                | 2          | 51            | —            | 80  |
| Goodwill                                      | (13)              | 82         | 68            | —            | 137   |
| Deferred income taxes                         | 509               | —          | 444           | (522)        | 431   |
| Notes receivable from affiliates              | 38                | 554        | —             | (592)        | —   |
| Other noncurrent assets                       | 64                | 166        | 279           | —            | 509   |
| Total assets                                  | \$ 9,813          | \$ 9,373   | \$ 6,897      | \$ (16,093)  | \$ 9,990                                      |
| <b>LIABILITIES AND EQUITY</b>                 |                   |            |               |              |   |
| Current liabilities:                          |                   |            |               |              |   |
| Accounts payable                              | \$ 55             | \$ 205     | \$ 872        | \$ 6         | \$ 1,138                                      |
| Accounts payable to affiliates                | 3,827             | 754        | 1,440         | (5,946)      | 75  |
| Accrued liabilities                           | 69                | 846        | 587           | (835)        | 667   |
| Note payable to affiliate                     | 100               | —          | —             | —            | 100   |
| Current portion of debt                       | 17                | —          | 27            | —            | 44  |
| Total current liabilities                     | 4,068             | 1,805      | 2,926         | (6,775)      | 2,024   |
| Long-term debt                                | 3,729             | —          | 343           | —            | 4,072   |
| Notes payable to affiliates                   | 714               | —          | 594           | (594)        | 714   |
| Deferred income taxes                         | —                 | 325        | 51            | 74           | 450   |
| Other noncurrent liabilities                  | 181               | 310        | 907           | —            | 1,398   |
| Total liabilities                             | 8,692             | 2,440      | 4,821         | (7,295)      | 8,658   |
| Equity  |                   |            |               |              |   |
| Huntsman International LLC<br>members' equity |                   |            |               |              |   |

Edgar Filing: Huntsman CORP - Form 10-Q

|  |          |          |          |             |          |
|--|----------|----------|----------|-------------|----------|
| Members' equity                                  | 3,244    | 4,554    | 3,336    | (7,890)     | 3,244    |
| Accumulated (deficit) income                     | (598)    | 1,229    | 36       | (1,265)     | (598)    |
| Accumulated other comprehensive (loss) income    | (1,525)  | 1,150    | (1,486)  | 336         | (1,525)  |
| Total Huntsman International LLC members' equity | 1,121    | 6,933    | 1,886    | (8,819)     | 1,121    |
| Noncontrolling interests in subsidiaries         | —        | —        | 190      | 21          | 211      |
| Total equity                                     | 1,121    | 6,933    | 2,076    | (8,798)     | 1,332    |
| Total liabilities and equity                     | \$ 9,813 | \$ 9,373 | \$ 6,897 | \$ (16,093) | \$ 9,990 |

48

Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATING BALANCE SHEETS

AS OF DECEMBER 31, 2016

(In Millions)

|   | Parent<br>Company | Guarantors | Nonguarantors | Eliminations | Consolidated<br>Huntsman<br>International LLC |
|---|-------------------|------------|---------------|--------------|---|
| <b>ASSETS</b>                                 |                   |            |               |              |   |
| Current assets:                               |                   |            |               |              |   |
| Cash and cash equivalents                     | \$ 37             | \$ —       | \$ 376        | \$ —         | \$ 413  |
| Restricted cash                               | —                 | —          | 11            | —            | 11  |
| Accounts and notes receivable, net            | 22                | 106        | 1,269         | 5            | 1,402   |
| Accounts receivable from affiliates           | 1,351             | 4,672      | 315           | (5,991)      | 347   |
| Inventories                                   | 85                | 285        | 976           | (2)          | 1,344   |
| Prepaid expenses                              | 68                | 144        | 43            | (195)        | 60  |
| Other current assets                          | 820               | 5          | 185           | (724)        | 286   |
| Total current assets                          | 2,383             | 5,212      | 3,175         | (6,907)      | 3,863   |
| Property, plant and equipment, net            | 463               | 1,422      | 2,305         | —            | 4,190   |
| Investment in unconsolidated<br>affiliates    | 5,870             | 1,533      | 248           | (7,319)      | 332   |
| Intangible assets, net                        | 28                | 3          | 35            | —            | 66  |
| Goodwill                                      | (12)              | 82         | 51            | —            | 121   |
| Deferred income taxes                         | 515               | —          | 408           | (527)        | 396   |
| Notes receivable from affiliates              | 37                | 530        | —             | (567)        | —   |
| Other noncurrent assets                       | 74                | 188        | 245           | —            | 507   |
| Total assets                                  | \$ 9,358          | \$ 8,970   | \$ 6,467      | \$ (15,320)  | \$ 9,475                                      |
| <b>LIABILITIES AND EQUITY</b>                 |                   |            |               |              |   |
| Current liabilities:                          |                   |            |               |              |   |
| Accounts payable                              | \$ 63             | \$ 186     | \$ 816        | \$ 5         | \$ 1,070                                      |
| Accounts payable to affiliates                | 3,667             | 912        | 1,478         | (5,991)      | 66  |
| Accrued liabilities                           | 87                | 807        | 640           | (921)        | 613   |
| Note payable to affiliate                     | 100               | —          | —             | —            | 100   |
| Current portion of debt                       | 30                | —          | 30            | —            | 60  |
| Total current liabilities                     | 3,947             | 1,905      | 2,964         | (6,907)      | 1,909   |
| Long-term debt                                | 3,763             | —          | 372           | —            | 4,135   |
| Notes payable to affiliates                   | 696               | —          | 568           | (567)        | 697   |
| Deferred income taxes                         | 22                | 311        | 21            | 69           | 423   |
| Other noncurrent liabilities                  | 174               | 314        | 887           | —            | 1,375   |
| Total liabilities                             | 8,602             | 2,530      | 4,812         | (7,405)      | 8,539   |
| Equity  |                   |            |               |              |   |
| Huntsman International LLC<br>members' equity |                   |            |               |              |   |

Edgar Filing: Huntsman CORP - Form 10-Q

|  |          |          |          |             |          |
|--|----------|----------|----------|-------------|----------|
| Members' equity                                  | 3,226    | 4,568    | 3,390    | (7,958)     | 3,226    |
| Accumulated (deficit) income                     | (779)    | 872      | (239)    | (633)       | (779)    |
| Accumulated other comprehensive (loss) income    | (1,691)  | 1,000    | (1,654)  | 654         | (1,691)  |
| Total Huntsman International LLC members' equity | 756      | 6,440    | 1,497    | (7,937)     | 756      |
| Noncontrolling interests in subsidiaries         | —        | —        | 158      | 22          | 180      |
| Total equity                                     | 756      | 6,440    | 1,655    | (7,915)     | 936      |
| Total liabilities and equity                     | \$ 9,358 | \$ 8,970 | \$ 6,467 | \$ (15,320) | \$ 9,475 |

Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE

## INCOME

THREE MONTHS ENDED JUNE 30, 2017

(In Millions)

|  | Parent<br>Company | Guarantors | Nonguarantors | Eliminations | Consolidated<br>Huntsman<br>International LLC |
|--|-------------------|------------|---------------|--------------|---|
| Revenues:  |                   |            |               |              |   |
| Trade sales, services and fees, net                              | \$ 281            | \$ 628     | \$ 1,673      | \$ —         | \$ 2,582                                      |
| Related party sales  | 57                | 119        | 293           | (435)        | 34  |
| Total revenues   | 338               | 747        | 1,966         | (435)        | 2,616   |
| Cost of goods sold   | 270               | 633        | 1,626         | (435)        | 2,094   |
| Gross profit   | 68                | 114        | 340           | —            | 522   |
| Selling, general and administrative                              | 46                | 43         | 137           | —            | 226   |
| Research and development   | 12                | 11         | 15            | —            | 38  |
| Restructuring, impairment and plant<br>closing costs             | 3                 | 3          | 4             | —            | 10  |
| Business separation expenses                                     | 12                | —          | —             | —            | 12  |
| Merger costs   | 6                 | —          | —             | —            | 6   |
| Other operating expense (income), net                            | 13                | (10)       | (51)          | —            | (48)  |
| Operating (expense) income                                       | (24)              | 67         | 235           | —            | 278   |
| Interest (expense) income  | (50)              | 4          | (5)           | —            | (51)  |
| Equity in income of investment in<br>affiliates and subsidiaries | 223               | 179        | 3             | (402)        | 3   |
| Loss on early extinguishment of debt                             | (1)               | —          | —             | —            | (1)   |
| Other (loss) income, net   | (1)               | 2          | (2)           | (1)          | (2)   |
| Income from continuing operations<br>before income taxes         | 147               | 252        | 231           | (403)        | 227   |
| Income tax benefit (expense)                                     | 19                | (26)       | (37)          | —            | (44)  |
| Income from continuing operations                                | 166               | 226        | 194           | (403)        | 183   |
| Loss from discontinued operations, net<br>of tax                 | —                 | (1)        | —             | —            | (1)   |
| Net income   | 166               | 225        | 194           | (403)        | 182   |
| Net income attributable to noncontrolling<br>interests           | —                 | —          | (14)          | (2)          | (16)  |
| Net income attributable to Huntsman<br>International LLC         | \$ 166            | \$ 225     | \$ 180        | \$ (405)     | \$ 166  |
| Net income   | \$ 166            | \$ 225     | \$ 194        | \$ (403)     | \$ 182  |
| Other comprehensive income                                       | 69                | 30         | 79            | (104)        | 74  |
|  | —                 | —          | (19)          | (2)          | (21)  |

Comprehensive income attributable to  
noncontrolling interests  
Comprehensive income attributable to  
Huntsman International LLC

|        |        |        |          |        |
|--------|--------|--------|----------|--------|
| \$ 235 | \$ 255 | \$ 254 | \$ (509) | \$ 235 |
|--------|--------|--------|----------|--------|

50

---

Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE

## INCOME

THREE MONTHS ENDED JUNE 30, 2016

(In Millions)

|  | Parent<br>Company | Guarantors | Nonguarantors | Eliminations | Consolidated<br>Huntsman<br>International LLC |
|--|-------------------|------------|---------------|--------------|---|
| Revenues:  |                   |            |               |              |   |
| Trade sales, services and fees, net  | \$ 272            | \$ 623     | \$ 1,617      | \$ —         | \$ 2,512                                      |
| Related party sales  | 41                | 106        | 279           | (394)        | 32  |
| Total revenues   | 313               | 729        | 1,896         | (394)        | 2,544   |
| Cost of goods sold   | 237               | 610        | 1,634         | (395)        | 2,086   |
| Gross profit   | 76                | 119        | 262           | 1            | 458   |
| Selling, general and administrative  | 44                | 36         | 154           | —            | 234   |
| Research and development   | 11                | 11         | 17            | —            | 39  |
| Restructuring, impairment and plant<br>closing costs                       | 3                 | 15         | 11            | —            | 29  |
| Other operating income, net  | (4)               | (10)       | (7)           | —            | (21)  |
| Operating income   | 22                | 67         | 87            | 1            | 177   |
| Interest (expense) income  | (57)              | 9          | (5)           | —            | (53)  |
| Equity in (loss) income of<br>investment in affiliates and<br>subsidiaries | (107)             | 59         | 2             | 48           | 2   |
| Loss on early extinguishment of debt                                       | (2)               | —          | —             | —            | (2)   |
| Dividend income  | 216               | —          | —             | (216)        | —   |
| Other (loss) income, net   | (1)               | 8          | (6)           | —            | 1   |
| Income from continuing operations<br>before income taxes                   | 71                | 143        | 78            | (167)        | 125   |
| Income tax benefit (expense)   | 15                | (30)       | (16)          | —            | (31)  |
| Income from continuing operations  | 86                | 113        | 62            | (167)        | 94  |
| Loss from discontinued operations,<br>net of tax                           | —                 | (1)        | —             | —            | (1)   |
| Net income   | 86                | 112        | 62            | (167)        | 93  |
| Net income attributable to<br>noncontrolling interests                     | —                 | —          | (3)           | (4)          | (7)   |
| Net income attributable to Huntsman<br>International LLC                   | \$ 86             | \$ 112     | \$ 59         | \$ (171)     | \$ 86   |
| Net income   | \$ 86             | \$ 112     | \$ 62         | \$ (167)     | \$ 93   |
| Other comprehensive (loss) income  | (35)              | 21         | (47)          | 24           | (37)  |
|  | —                 | —          | (1)           | (4)          | (5)   |



Comprehensive income attributable to  
noncontrolling interests  
Comprehensive income attributable to  
Huntsman International LLC

|       |        |       |          |       |
|-------|--------|-------|----------|-------|
| \$ 51 | \$ 133 | \$ 14 | \$ (147) | \$ 51 |
|-------|--------|-------|----------|-------|

51

---

Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE

## INCOME

SIX MONTHS ENDED JUNE 30, 2017

(In Millions)

|  | Parent<br>Company | Guarantors | Nonguarantors | Eliminations | Consolidated<br>Huntsman<br>International LLC |
|--|-------------------|------------|---------------|--------------|---|
| Revenues:  |                   |            |               |              |   |
| Trade sales, services and fees, net                              | \$ 528            | \$ 1,263   | \$ 3,219      | \$ —         | \$ 5,010                                      |
| Related party sales  | 114               | 231        | 589           | (859)        | 75  |
| Total revenues   | 642               | 1,494      | 3,808         | (859)        | 5,085   |
| Cost of goods sold   | 517               | 1,286      | 3,150         | (857)        | 4,096   |
| Gross profit   | 125               | 208        | 658           | (2)          | 989   |
| Selling, general and administrative                              | 95                | 87         | 270           | —            | 452   |
| Research and development   | 23                | 21         | 31            | —            | 75  |
| Restructuring, impairment and plant<br>closing costs             | 4                 | 6          | 36            | —            | 46  |
| Business separation expenses                                     | 21                | —          | —             | —            | 21  |
| Merger costs   | 6                 | —          | —             | —            | 6   |
| Other operating expense (income), net                            | 16                | (26)       | (43)          | —            | (53)  |
| Operating (expense) income                                       | (40)              | 120        | 364           | (2)          | 442   |
| Interest (expense) income  | (100)             | 8          | (10)          | —            | (102)   |
| Equity in income of investment in<br>affiliates and subsidiaries | 347               | 274        | 3             | (621)        | 3   |
| Loss on early extinguishment of debt                             | (1)               | —          | —             | —            | (1)   |
| Other income (loss), net   | —                 | 2          | (1)           | (1)          | —   |
| Income from continuing operations<br>before income taxes         | 206               | 404        | 356           | (624)        | 342   |
| Income tax benefit (expense)                                     | 35                | (47)       | (55)          | —            | (67)  |
| Income from continuing operations                                | 241               | 357        | 301           | (624)        | 275   |
| Loss from discontinued operations, net<br>of tax                 | —                 | (1)        | (1)           | —            | (2)   |
| Net income   | 241               | 356        | 300           | (624)        | 273   |
| Net income attributable to<br>noncontrolling interests           | —                 | —          | (26)          | (6)          | (32)  |
| Net income attributable to Huntsman<br>International LLC         | \$ 241            | \$ 356     | \$ 274        | \$ (630)     | \$ 241  |
| Net income   | \$ 241            | \$ 356     | \$ 300        | \$ (624)     | \$ 273  |
| Other comprehensive income                                       | 166               | 150        | 176           | (319)        | 173   |
|  | —                 | —          | (33)          | (6)          | (39)  |

Comprehensive income attributable to  
noncontrolling interests  
Comprehensive income attributable to  
Huntsman International LLC

|        |        |        |          |        |
|--------|--------|--------|----------|--------|
| \$ 407 | \$ 506 | \$ 443 | \$ (949) | \$ 407 |
|--------|--------|--------|----------|--------|

52

---

Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE

## INCOME

SIX MONTHS ENDED JUNE 30, 2016

(In Millions)

|  | Parent<br>Company | Guarantors | Nonguarantors | Eliminations | Consolidated<br>Huntsman<br>International LLC |
|--|-------------------|------------|---------------|--------------|---|
| Revenues:  |                   |            |               |              |   |
| Trade sales, services and fees, net  | \$ 523            | \$ 1,189   | \$ 3,121      | \$ —         | \$ 4,833                                      |
| Related party sales  | 94                | 210        | 548           | (786)        | 66  |
| Total revenues   | 617               | 1,399      | 3,669         | (786)        | 4,899   |
| Cost of goods sold   | 477               | 1,158      | 3,177         | (788)        | 4,024   |
| Gross profit   | 140               | 241        | 492           | 2            | 875   |
| Selling, general and administrative  | 84                | 82         | 289           | —            | 455   |
| Research and development   | 22                | 22         | 32            | —            | 76  |
| Restructuring, impairment and plant<br>closing costs                       | 3                 | 19         | 20            | —            | 42  |
| Other operating expense (income),<br>net                                   | 8                 | (17)       | (7)           | —            | (16)  |
| Operating income   | 23                | 135        | 158           | 2            | 318   |
| Interest (expense) income  | (111)             | 17         | (12)          | —            | (106)   |
| Equity in (loss) income of<br>investment in affiliates and<br>subsidiaries | (15)              | 103        | 3             | (88)         | 3   |
| Loss on early extinguishment of debt                                       | (2)               | —          | —             | —            | (2)   |
| Dividend income  | 216               | —          | —             | (216)        | —   |
| Other income (loss), net   | —                 | 8          | (6)           | —            | 2   |
| Income from continuing operations<br>before income taxes                   | 111               | 263        | 143           | (302)        | 215   |
| Income tax benefit (expense)   | 30                | (56)       | (32)          | —            | (58)  |
| Income from continuing operations  | 141               | 207        | 111           | (302)        | 157   |
| Income (loss) from discontinued<br>operations, net of tax                  | 1                 | (1)        | (2)           | —            | (2)   |
| Net income   | 142               | 206        | 109           | (302)        | 155   |
| Net income attributable to<br>noncontrolling interests                     | —                 | —          | (6)           | (7)          | (13)  |
| Net income attributable to Huntsman<br>International LLC                   | \$ 142            | \$ 206     | \$ 103        | \$ (309)     | \$ 142  |
| Net income   | \$ 142            | \$ 206     | \$ 109        | \$ (302)     | \$ 155  |
| Other comprehensive (loss) income  | (5)               | 76         | 3             | (79)         | (5)   |

Edgar Filing: Huntsman CORP - Form 10-Q

|   |        |        |        |          |        |
|---|--------|--------|--------|----------|--------|
| Comprehensive income attributable to noncontrolling interests   | —      | —      | (6)    | (7)      | (13)   |
| Comprehensive income attributable to Huntsman International LLC | \$ 137 | \$ 282 | \$ 106 | \$ (388) | \$ 137 |

53

---

Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2017

(In Millions)

|  | Parent<br>Company | Guarantors | Nonguarantors | Eliminations | Consolidated<br>Huntsman<br>International LLC |
|--|-------------------|------------|---------------|--------------|---|
| Net cash provided by operating activities              | \$ 255            | \$ 24      | \$ 110        | \$ —         | \$ 389  |
| Investing activities:                                  |                   |            |               |              |   |
| Capital expenditures                                   | (18)              | (22)       | (107)         | —            | (147)   |
| Insurance proceeds for recovery of property damage     | —                 | —          | 50            | —            | 50  |
| Cash received from unconsolidated affiliates           | —                 | 27         | —             | —            | 27  |
| Cash received from consolidated affiliates             | 55                | 5          | 2             | (62)         | —   |
| Investment in unconsolidated affiliates                | —                 | (19)       | —             | —            | (19)  |
| Acquisition of business, net of cash acquired          | —                 | —          | (14)          | —            | (14)  |
| Proceeds from sale of businesses/assets                | —                 | —          | 19            | —            | 19  |
| Increase in receivable from affiliate                  | (4)               | —          | —             | —            | (4)   |
| Other  | —                 | —          | 2             | —            | 2   |
| Net cash provided by (used in) investing activities    | 33                | (9)        | (48)          | (62)         | (86)  |
| Financing activities:                                  |                   |            |               |              |   |
| Net repayments under revolving loan facilities         | —                 | —          | (36)          | —            | (36)  |
| Repayments of short-term debt                          | —                 | —          | (8)           | —            | (8)   |
| Borrowings on short-term debt                          | —                 | —          | 4             | —            | 4   |
| Repayments of long-term debt                           | (109)             | —          | (13)          | —            | (122)   |
| Proceeds from issuance of long-term debt               | —                 | —          | 10            | —            | 10  |
| Proceeds from issuance of notes payable from affiliate | 18                | —          | —             | —            | 18  |
| Repayments of notes payable                            | (13)              | —          | —             | —            | (13)  |
| Debt issuance costs paid                               | (3)               | —          | —             | —            | (3)   |
| Dividends paid to noncontrolling interests             | —                 | —          | (4)           | (6)          | (10)  |
| Contribution from noncontrolling interests             | —                 | —          | 2             | —            | 2   |
| Contribution from parent                               | —                 | 1          | —             | (1)          | —   |

Edgar Filing: Huntsman CORP - Form 10-Q

|  |        |      |        |      |        |
|--|--------|------|--------|------|--------|
| Distribution to parent                           | —      | (14) | (55)   | 69   | —      |
| Dividends paid to parent                         | (60)   | (1)  | 1      | —    | (60)   |
| Net cash used in financing activities            | (167)  | (14) | (99)   | 62   | (218)  |
| Effect of exchange rate changes on cash          | —      | —    | 8      | —    | 8      |
| Increase (decrease) in cash and cash equivalents | 121    | 1    | (29)   | —    | 93     |
| Cash and cash equivalents at beginning of period | 37     | —    | 376    | —    | 413    |
| Cash and cash equivalents at end of period       | \$ 158 | \$ 1 | \$ 347 | \$ — | \$ 506 |

54

Table of Contents

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2016

(In Millions)

|   | Parent<br>Company | Guarantors | Nonguarantors | Eliminations | Consolidated<br>Huntsman<br>International LLC |
|---|-------------------|------------|---------------|--------------|---|
| Net cash provided by operating activities           | \$ 227            | \$ 63      | \$ 151        | \$ —         | \$ 441  |
| Investing activities:                               |                   |            |               |              |   |
| Capital expenditures                                | (11)              | (63)       | (115)         | —            | (189)   |
| Insurance proceeds for recovery of property damage  | —                 | —          | 8             | —            | 8   |
| Cash received from unconsolidated affiliates        | —                 | 19         | —             | —            | 19  |
| Investment in affiliate                             | (46)              | 5          | —             | 41           | —   |
| Investment in unconsolidated affiliates             | —                 | (13)       | (1)           | —            | (14)  |
| Change in restricted cash                           | —                 | —          | 2             | —            | 2   |
| Net cash used in investing activities               | (57)              | (52)       | (106)         | 41           | (174)   |
| Financing activities:                               |                   |            |               |              |   |
| Net repayments on overdraft facilities              | \$ —              | \$ —       | \$ (1)        | \$ —         | \$ (1)  |
| Repayments of short-term debt                       | —                 | —          | (18)          | —            | (18)  |
| Borrowings on short-term debt                       | —                 | —          | 6             | —            | 6   |
| Repayments of long-term debt                        | (569)             | —          | (13)          | —            | (582)   |
| Proceeds from issuance of long-term debt            | 547               | —          | —             | —            | 547   |
| Repayments of notes payable to affiliate            | (1)               | —          | —             | —            | (1)   |
| Proceeds of notes payable to affiliate              | —                 | —          | 6             | (6)          | —   |
| Repayments of notes payable                         | (15)              | —          | (1)           | —            | (16)  |
| Borrowings on notes payable                         | 2                 | —          | —             | —            | 2   |
| Debt issuance costs paid                            | (8)               | —          | —             | —            | (8)   |
| Contribution from parent                            | —                 | 3          | 53            | (56)         | —   |
| Distribution to parent                              | —                 | (14)       | (15)          | 29           | —   |
| Dividends paid to noncontrolling interests          | —                 | —          | (13)          | (8)          | (21)  |
| Dividends paid to parent                            | (60)              | —          | —             | —            | (60)  |
| Other, net  | 1                 | —          | —             | —            | 1   |
| Net cash (used in) provided by financing activities | (103)             | (11)       | 4             | (41)         | (151)   |
| Effect of exchange rate changes on cash             | —                 | —          | —             | —            | —   |
| Decrease in cash and cash equivalents               | 67                | —          | 49            | —            | 116   |
|   | 44                | 1          | 212           | —            | 257   |



Cash and cash equivalents at beginning  
of period

Cash and cash equivalents at end of  
period

|        |      |        |      |        |
|--------|------|--------|------|--------|
| \$ 111 | \$ 1 | \$ 261 | \$ — | \$ 373 |
|--------|------|--------|------|--------|

During the six months ended June 30, 2016, we made a noncash capital contribution of approximately \$215 million between Parent Company and certain Guarantors.





Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We operate in five segments: Polyurethanes, Performance Products, Advanced Materials, Textile Effects and Pigments and Additives. Our products comprise a broad range of chemicals and formulations, which we market globally to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, personal care and hygiene, durable and non-durable consumer products, digital inks, electronics, medical, packaging, paints and coatings, power generation, refining, synthetic fiber, textile chemicals and dye industries. We are a leading global producer in many of our key product lines, including MDI, amines, surfactants, maleic anhydride, epoxy-based polymer formulations, textile chemicals, dyes, titanium dioxide and color pigments. Our revenues for the six months ended June 30, 2017 and 2016 were \$5,085 million and \$4,899 million, respectively.

RECENT DEVELOPMENTS

Huntsman and Clariant Merger

On May 21, 2017, Huntsman, Clariant, and Merger Sub, entered into the Merger Agreement, pursuant to which, subject to the satisfaction or waiver of certain conditions, Merger Sub will merge with and into Huntsman, with Huntsman surviving as a wholly owned subsidiary of Clariant, and Clariant will be renamed HuntsmanClariant. The merger is subject to the satisfaction or waiver of conditions set forth in the Merger Agreement, including, among other things, (i) the adoption of the Merger Agreement by the affirmative vote of Huntsman stockholders holding a majority of the outstanding Huntsman shares entitled to vote thereon at the Huntsman special meeting in favor of such adoption and (ii) the approval of Clariant shareholders of the increase in share capital of Clariant necessary to permit the issuance of HuntsmanClariant shares in connection with the merger by the affirmative vote of two-thirds of the votes represented at its extraordinary general meeting. We have operated and, until completion of the merger, will continue to operate independently of Clariant. As of the date of its announcement, the merger had an enterprise value of approximately \$20 billion, with more than 200 production sites around the world and approximately 28,000 associates. We are targeting completion of the merger near the end of this year. During the three and six months ended June 30, 2017 and 2016, we incurred merger-related costs of \$6 million, \$6 million, nil and nil, respectively.

Separation of our Pigments and Additives Business

We are in the process of separating our Pigments and Additives business, which is expected to be completed during the third quarter of 2017. During the third quarter of 2017, we expect to account for the Pigments and Additives business as assets held for sale and discontinued operations. For more information, see “Note 4. Separation of Pigments and Additives Business” to our condensed consolidated financial statements.

In connection with the separation, Venator intends to enter into new financing arrangements and expects to incur up to \$750 million of new debt, which will include (i) \$375 million of senior unsecured notes and (ii) borrowings of \$375 million under a new senior secured term loan facility. For further information, see “Note 7. Debt—Direct and Subsidiary Debt—Venator Unsecured Notes and Venator Credit Facilities” to our condensed consolidated financial statements.

#### Pori Fire

On January 30, 2017, our titanium dioxide manufacturing facility in Pori, Finland experienced fire damage and is currently not fully operational. We are committed to repairing the facility as quickly as possible and a portion of our white end production became operational during the second quarter of 2017. During the first half of 2017, we recorded a loss of \$32 million for the write-off of fixed assets and lost inventory in other operating income, net in our condensed consolidated statements of operations. In addition, we recorded a loss of \$15 million of costs for cleanup of the facility in other operating income, net through June 30, 2017.

The site is insured for property damage as well as business interruption losses subject to retained deductibles of \$15 million and 60 days, respectively, with a limit of \$500 million. The fire at our Pori facility did not have a material

## Table of Contents

impact on our 2017 second quarter operating results as losses incurred were offset by insurance proceeds. On February 9, 2017 and May 2, 2017, we received \$54 million and \$76 million, respectively, as partial progress payments from our insurer. During the first six months of 2017, we recorded \$84 million of income related to property damage and business interruption insurance recoveries in other operating income, net in our condensed consolidated statements of operations to offset property damage and business interruption losses recorded during the period. In addition, we recorded \$46 million as deferred income in accrued liabilities as of June 30, 2017 for insurance proceeds received for costs not yet incurred.

On July 10, 2017, we received an additional progress payment of \$11 million from our insurer.

### Early Prepayment of Debt

On July 26, 2017, we made an early prepayment of \$100 million on our 2015 Extended Term Loan B from existing cash. For further information, see “Note 7. Direct and Subsidiary Debt—Senior Credit Facilities” to our condensed consolidated financial statements.

## OUTLOOK

We expect the following factors to impact our operating segments:

### Polyurethanes:

- Strong demand in key MDI markets and regions
- Focused on growing the downstream businesses
- Weak MTBE margins

### Performance Products:

- Amines margins continue to improve
- Lower margins in upstream intermediates
- Planned ethylene oxide and ethylene glycol maintenance during third quarter of 2017

### Advanced Materials:

- Positive volume trends in the specialty businesses
- Stronger adjusted EBITDA in the second half of 2017 as compared to the first half of 2017

### Textile Effects:

- Year-over-year growth above GDP

### Pigments and Additives:

- Favorable environment for TiO<sub>2</sub> price increases

- Expect to capture one half to three quarters of announced 2017 third quarter TiO<sub>2</sub> price increases
- Established insurance process to receive timely advance payments for the continued reconstruction of the Pori facility as well as for business interruption losses

In 2017, we expect to spend approximately \$380 million on capital expenditures, net of reimbursements.

We expect our long term adjusted effective tax rate will be approximately 25 to 28%. We believe our full year 2017 adjusted effective tax rate will be approximately 20% to 25%.

## RESULTS OF OPERATIONS

For each of our Company and Huntsman International, the following tables set forth the condensed consolidated results of operations (dollars in millions, except per share amounts):

Table of Contents

## Huntsman Corporation

|   | Three months ended |          |                | Six months ended |          |                |
|---|--------------------|----------|----------------|------------------|----------|----------------|
|   | June 30, 2017      | 2016     | Percent Change | June 30, 2017    | 2016     | Percent Change |
| Revenues  | \$ 2,616           | \$ 2,544 | 3%             | \$ 5,085         | \$ 4,899 | 4%             |
| Cost of goods sold  | 2,095              | 2,087    | —              | 4,098            | 4,026    | 2%             |
| Gross profit  | 521                | 457      | 14%            | 987              | 873      | 13%            |
| Operating expenses  | 218                | 252      | (13)%          | 477              | 517      | (8)%           |
| Restructuring, impairment and plant closing costs           | 10                 | 29       | (66)%          | 46               | 42       | 10%            |
| Business separation expenses                                | 12                 | —        | NM             | 21               | —        | NM             |
| Merger costs  | 6                  | —        | NM             | 6                | —        | NM             |
| Operating income  | 275                | 176      | 56%            | 437              | 314      | 39%            |
| Interest expense  | (47)               | (50)     | (6)%           | (95)             | (100)    | (5)%           |
| Equity in income of investment in unconsolidated affiliates | 3                  | 2        | 50%            | 3                | 3        | —              |
| Loss on early extinguishment of debt                        | (1)                | (2)      | (50)%          | (1)              | (2)      | (50)%          |
| Other (loss) income, net                                    | (1)                | 1        | NM             | 1                | 2        | (50)%          |
| Income from continuing operations before income taxes       | 229                | 127      | 80%            | 345              | 217      | 59%            |
| Income tax expense  | (45)               | (32)     | 41%            | (68)             | (59)     | 15%            |
| Income from continuing operations                           | 184                | 95       | 94%            | 277              | 158      | 75%            |
| Loss from discontinued operations, net of tax               | (1)                | (1)      | —              | (2)              | (2)      | —              |
| Net income  | 183                | 94       | 95%            | 275              | 156      | 76%            |
| Reconciliation of net income to adjusted EBITDA:            |                    |          |                |                  |          |                |
| Net income attributable to noncontrolling interests         | (16)               | (7)      | 129%           | (32)             | (13)     | 146%           |
| Interest expense  | 47                 | 50       | (6)%           | 95               | 100      | (5)%           |
| Income tax expense from continuing operations               | 45                 | 32       | 41%            | 68               | 59       | 15%            |
| Income tax benefit from discontinued operations             | —                  | —        | —              | (1)              | (1)      | —              |
| Depreciation and amortization                               | 108                | 109      | (1)%           | 214              | 209      | 2%             |
| Other adjustments:  |                    |          |                |                  |          |                |
| Business acquisition and integration expenses               | 4                  | 4        |                | 7                | 13       |                |
| Merger costs  | 6                  | —        |                | 6                | —        |                |
| EBITDA from discontinued operations                         | 1                  | 1        |                | 3                | 3        |                |
| Loss on early extinguishment of debt                        | 1                  | 2        |                | 1                | 2        |                |
| Certain legal settlements and related expenses              | 1                  | —        |                | 1                | 1        |                |
| Gain on sale of assets                                      | (9)                | —        |                | (9)              | —        |                |



Edgar Filing: Huntsman CORP - Form 10-Q

|   |        |        |     |        |        |       |
|---|--------|--------|-----|--------|--------|-------|
| Amortization of pension and postretirement actuarial losses | 22     | 17     |     | 44     | 33     |       |
| Net plant incident (credits) costs                          | (2)    | (7)    |     | 3      | (6)    |       |
| Restructuring, impairment and plant closing costs           | 10     | 30     |     | 46     | 43     |       |
| Business separation expenses                                | 12     | —      |     | 21     | —      |       |
| Adjusted EBITDA(1)  | \$ 413 | \$ 325 | 27% | \$ 742 | \$ 599 | 24%   |
| Net cash provided by operating activities                   |        |        |     | \$ 394 | \$ 443 | (11)% |
| Net cash used in investing activities                       |        |        |     | (83)   | (174)  | (52)% |
| Net cash used in financing activities                       |        |        |     | (224)  | (153)  | 46%   |
| Capital expenditures  |        |        |     | (147)  | (189)  | (22)% |

58

---

Table of Contents

## Huntsman International

|   | Three months ended |          |                | Six months ended |          |                |
|---|--------------------|----------|----------------|------------------|----------|----------------|
|   | June 30, 2017      | 2016     | Percent Change | June 30, 2017    | 2016     | Percent Change |
| Revenues  | \$ 2,616           | \$ 2,544 | 3%             | \$ 5,085         | \$ 4,899 | 4%             |
| Cost of goods sold  | 2,094              | 2,086    | —              | 4,096            | 4,024    | 2%             |
| Gross profit  | 522                | 458      | 14%            | 989              | 875      | 13%            |
| Operating expenses  | 216                | 252      | (14)%          | 474              | 515      | (8)%           |
| Restructuring, impairment and plant closing costs           | 10                 | 29       | (66)%          | 46               | 42       | 10%            |
| Business separation expenses                                | 12                 | —        | NM             | 21               | —        | NM             |
| Merger costs  | 6                  | —        | NM             | 6                | —        | NM             |
| Operating income  | 278                | 177      | 57%            | 442              | 318      | 39%            |
| Interest expense  | (51)               | (53)     | (4)%           | (102)            | (106)    | (4)%           |
| Equity in income of investment in unconsolidated affiliates | 3                  | 2        | 50%            | 3                | 3        | —              |
| Loss on early extinguishment of debt                        | (1)                | (2)      | (50)%          | (1)              | (2)      | (50)%          |
| Other (loss) income, net                                    | (2)                | 1        | NM             | —                | 2        | (100)%         |
| Income from continuing operations before income taxes       | 227                | 125      | 82%            | 342              | 215      | 59%            |
| Income tax expense  | (44)               | (31)     | 42%            | (67)             | (58)     | 16%            |
| Income from continuing operations                           | 183                | 94       | 95%            | 275              | 157      | 75%            |
| Loss from discontinued operations, net of tax               | (1)                | (1)      | —              | (2)              | (2)      | —              |
| Net income  | 182                | 93       | 96%            | 273              | 155      | 76%            |
| Reconciliation of net income to adjusted EBITDA:            |                    |          |                |                  |          |                |
| Net income attributable to noncontrolling interests         | (16)               | (7)      | 129%           | (32)             | (13)     | 146%           |
| Interest expense  | 51                 | 53       | (4)%           | 102              | 106      | (4)%           |
| Income tax expense from continuing operations               | 44                 | 31       | 42%            | 67               | 58       | 16%            |
| Income tax benefit from discontinued operations             | —                  | —        | —              | (1)              | (1)      | —              |
| Depreciation and amortization                               | 104                | 106      | (2)%           | 208              | 203      | 2%             |
| Other adjustments:  |                    |          |                |                  |          |                |
| Business acquisition and integration expenses               | 4                  | 4        |                | 7                | 13       |                |
| Merger costs  | 6                  | —        |                | 6                | —        |                |
| EBITDA from discontinued operations                         | 1                  | 1        |                | 3                | 3        |                |
| Loss on early extinguishment of debt                        | 1                  | 2        |                | 1                | 2        |                |
| Certain legal settlements and related expenses              | 1                  | —        |                | 1                | 1        |                |
| Gain on sale of assets                                      | (9)                | —        |                | (9)              | —        |                |

Edgar Filing: Huntsman CORP - Form 10-Q

|   |        |        |     |        |        |       |
|---|--------|--------|-----|--------|--------|-------|
| Amortization of pension and postretirement actuarial losses | 24     | 21     |     | 48     | 37     |       |
| Net plant incident (credits) costs                          | (2)    | (7)    |     | 3      | (6)    |       |
| Restructuring, impairment and plant closing costs           | 10     | 30     |     | 46     | 43     |       |
| Business separation expenses                                | 12     | —      |     | 21     | —      |       |
| Adjusted EBITDA(1)  | \$ 413 | \$ 327 | 26% | \$ 744 | \$ 601 | 24%   |
| Net cash provided by operating activities                   |        |        |     | \$ 389 | \$ 441 | (12)% |
| Net cash used in investing activities                       |        |        |     | (86)   | (174)  | (51)% |
| Net cash used in financing activities                       |        |        |     | (218)  | (151)  | 44%   |
| Capital expenditures  |        |        |     | (147)  | (189)  | (22)% |

59

---

Table of Contents

## Huntsman Corporation

|   | Three months<br>ended<br>June 30, 2017 |        |         | Three months<br>ended<br>June 30, 2016 |        |         |
|---|--|--------|---------|--|--------|---------|
|   | Gross                                  | Tax(3) | Net     | Gross                                  | Tax(3) | Net     |
| Reconciliation of net income to adjusted net income         |  |        |         |  |        |         |
| Net income  |  |        | \$ 183  |  |        | \$ 94   |
| Net income attributable to noncontrolling interests         |  |        | (16)    |  |        | (7)     |
| Business acquisition and integration expenses               | \$ 4                                   | \$ —   | 4       | \$ 4                                   | \$ —   | 4       |
| Merger costs  | 6                                      | —      | 6       | —                                      | —      | —       |
| Loss from discontinued operations                           | 1                                      | —      | 1       | 1                                      | —      | 1       |
| Loss on early extinguishment of debt                        | 1                                      | —      | 1       | 2                                      | (1)    | 1       |
| Certain legal settlements and related expenses              | 1                                      | —      | 1       | —                                      | —      | —       |
| Gain on sale of assets                                      | (9)                                    | —      | (9)     | —                                      | —      | —       |
| Amortization of pension and postretirement actuarial losses | 22                                     | (4)    | 18      | 17                                     | (3)    | 14      |
| Net plant incident credits                                  | (2)                                    | —      | (2)     | (7)                                    | 1      | (6)     |
| Restructuring, impairment and plant closing costs           | 10                                     | (1)    | 9       | 30                                     | (5)    | 25      |
| Business separation expenses                                | 12                                     | (2)    | 10      | —                                      | —      | —       |
| Adjusted net income(2)                                      |  |        | \$ 206  |  |        | \$ 126  |
| Weighted average shares-basic                               |  |        | 238.3   |  |        | 236.3   |
| Weighted average shares-diluted                             |  |        | 243.7   |  |        | 239.5   |
| Net income attributable to Huntsman Corporation per share:  |  |        |         |  |        |         |
| Basic   |  |        | \$ 0.70 |  |        | \$ 0.37 |
| Diluted   |  |        | 0.69    |  |        | 0.36    |
| Other non-GAAP measures:                                    |  |        |         |  |        |         |
| Adjusted net income per share(2):                           |  |        |         |  |        |         |
| Basic   |  |        | \$ 0.86 |  |        | \$ 0.53 |
| Diluted   |  |        | 0.85    |  |        | 0.53    |

Table of Contents

|   | Six months ended<br>June 30, 2017 |        |          | Six months ended<br>June 30, 2016 |        |          |
|---|-----------------------------------|--------|----------|-----------------------------------|--------|----------|
|   | Gross                             | Tax(3) | Net      | Gross                             | Tax(3) | Net      |
| Reconciliation of net income to adjusted net income                               |                                   |        |          |                                   |        |          |
| Net income  |                                   |        | \$ 275   |                                   |        | \$ 156   |
| Net income attributable to noncontrolling interests                               |                                   |        | (32)     |                                   |        | (13)     |
| Business acquisition and integration expenses                                     | \$ 7                              | \$ —   | 7        | \$ 13                             | \$ (3) | 10       |
| Merger costs  | 6                                 | —      | 6        | —                                 | —      | —        |
| Loss from discontinued operations   | 3                                 | (1)    | 2        | 3                                 | (1)    | 2        |
| Loss on early extinguishment of debt  | 1                                 | —      | 1        | 2                                 | (1)    | 1        |
| Certain legal settlements and related expenses                                    | 1                                 | —      | 1        | 1                                 | —      | 1        |
| Gain on sale of assets  | (9)                               | —      | (9)      | —                                 | —      | —        |
| Amortization of pension and postretirement actuarial losses                       | 44                                | (8)    | 36       | 33                                | (6)    | 27       |
| Net plant incident costs (credits)  | 3                                 | (1)    | 2        | (6)                               | 1      | (5)      |
| Restructuring, impairment and plant closing costs                                 | 46                                | (7)    | 39       | 43                                | (8)    | 35       |
| Business separation expenses  | 21                                | (4)    | 17       | —                                 | —      | —        |
| Adjusted net income(2)  |                                   |        | \$ 345   |                                   |        | \$ 214   |
| Weighted average shares-basic   |                                   |        | 237.8    |                                   |        | 236.2    |
| Weighted average shares-diluted   |                                   |        | 243.2    |                                   |        | 238.3    |
| Net income attributable to Huntsman Corporation per share:                        |                                   |        |          |                                   |        |          |
| Basic   |                                   |        | \$ 1.02  |                                   |        | \$ 0.61  |
| Diluted   |                                   |        | 1.00     |                                   |        | 0.60     |
| Other non-GAAP measures:  |                                   |        |          |                                   |        |          |
| Adjusted net income per share(2):   |                                   |        |          |                                   |        |          |
| Basic   |                                   |        | \$ 1.45  |                                   |        | \$ 0.91  |
| Diluted   |                                   |        | 1.42     |                                   |        | 0.90     |
| Capital expenditures, net of reimbursements(4)                                    |                                   |        | \$ (141) |                                   |        | \$ (162) |
| Net cash provided by operating activities   |                                   |        | \$ 394   |                                   |        | \$ 443   |
| Capital expenditures  |                                   |        | (147)    |                                   |        | (189)    |
| All other investing activities, excluding acquisitions and disposition activities |                                   |        | 59       |                                   |        | 15       |
| Non-recurring separation costs  |                                   |        | 27       |                                   |        | —        |
| Free cash flow(5)   |                                   |        | \$ 333   |                                   |        | \$ 269   |



Table of Contents

## Huntsman International

|   | Three months<br>ended<br>June 30, 2017              |        |        | Three months<br>ended<br>June 30, 2016 |        |        |
|---|---|--------|--------|--|--------|--------|
|   | Gross   | Tax(3) | Net    | Gross                                  | Tax(3) | Net    |
|   | Reconciliation of net income to adjusted net income |        |        |  |        |        |
| Net income  |   |        | \$ 182 |  |        | \$ 93  |
| Net income attributable to noncontrolling interests         |   |        | (16)   |  |        | (7)    |
| Business acquisition and integration expenses               | \$ 4  | \$ —   | 4      | \$ 4                                   | \$ —   | 4      |
| Merger costs  | 6   | —      | 6      | —                                      | —      | —      |
| Loss from discontinued operations                           | 1   | —      | 1      | 1                                      | —      | 1      |
| Loss on early extinguishment of debt                        | 1   | —      | 1      | 2                                      | (1)    | 1      |
| Certain legal settlements and related expenses              | 1   | —      | 1      | —                                      | —      | —      |
| Gain on sale of assets                                      | (9)   | —      | (9)    | —                                      | —      | —      |
| Amortization of pension and postretirement actuarial losses | 24  | (4)    | 20     | 21                                     | (3)    | 18     |
| Net plant incident credits                                  | (2)   | —      | (2)    | (7)                                    | 1      | (6)    |
| Restructuring, impairment and plant closing costs           | 10  | (1)    | 9      | 30                                     | (5)    | 25     |
| Business separation expenses                                | 12  | (2)    | 10     | —                                      | —      | —      |
| Adjusted net income(2)                                      |   |        | \$ 207 |  |        | \$ 129 |

|   | Six months<br>ended<br>June 30, 2017                |        |        | Six months<br>ended<br>June 30, 2016 |        |        |
|---|---|--------|--------|--------------------------------------|--------|--------|
|   | Gross   | Tax(3) | Net    | Gross                                | Tax(3) | Net    |
|   | Reconciliation of net income to adjusted net income |        |        |                                      |        |        |
| Net income  |   |        | \$ 273 |                                      |        | \$ 155 |
| Net income attributable to noncontrolling interests         |   |        | (32)   |                                      |        | (13)   |
| Business acquisition and integration expenses               | \$ 7  | \$ —   | 7      | \$ 13                                | \$ (3) | 10     |
| Merger costs  | 6   | —      | 6      | —                                    | —      | —      |
| Loss from discontinued operations                           | 3   | (1)    | 2      | 3                                    | (1)    | 2      |
| Loss on early extinguishment of debt                        | 1   | —      | 1      | 2                                    | (1)    | 1      |
| Certain legal settlements and related expenses              | 1   | —      | 1      | 1                                    | —      | 1      |
| Gain on sale of assets                                      | (9)   | —      | (9)    | —                                    | —      | —      |
| Amortization of pension and postretirement actuarial losses | 48  | (8)    | 40     | 37                                   | (6)    | 31     |
| Net plant incident costs (credits)                          | 3   | (1)    | 2      | (6)                                  | 1      | (5)    |
| Restructuring, impairment and plant closing costs           | 46  | (7)    | 39     | 43                                   | (8)    | 35     |
| Business separation expenses                                | 21  | (4)    | 17     | —                                    | —      | —      |
| Adjusted net income(2)                                      |   |        | \$ 347 |                                      |        | \$ 217 |

Other non-GAAP measures:

|  |          |          |
|--|----------|----------|
| Capital expenditures, net of reimbursements(4) | \$ (141) | \$ (162) |
|--|----------|----------|

---

NM—Not meaningful

(1) Our management uses adjusted EBITDA to assess financial performance. Adjusted EBITDA is defined as net income of Huntsman Corporation or Huntsman International, as appropriate, before interest, income tax, depreciation and amortization, net income attributable to noncontrolling interests and certain Corporate and other items, as well as eliminating the following adjustments: (a) business acquisition and integration expenses; (b) merger costs; (c) EBITDA from discontinued operations; (d) loss on early extinguishment of debt (e) certain legal

62

---



Table of Contents

settlements and related expenses; (f) gain on sale of assets; (g) amortization of pension and postretirement actuarial losses; (h) net plant incident (credits) costs; (i) restructuring, impairment and plant closing costs; and (j) business separation expenses. We believe that net income of Huntsman Corporation or Huntsman International, as appropriate, is the performance measure calculated and presented in accordance with U.S. GAAP that is most directly comparable to adjusted EBITDA.

EBITDA and adjusted EBITDA are not necessarily comparable to other similarly titled measures used by other companies. There are material limitations associated with our use of these measures because they do not reflect overall financial performance, including the effects of interest, income taxes, depreciation and amortization. Our management compensates for the limitations of these measures by using them as a supplement to GAAP results.

- (2) Adjusted net income is computed by eliminating the after tax amounts related to the following from net income attributable to Huntsman Corporation or Huntsman International, as appropriate: (a) business acquisition and integration expenses; (b) merger costs; (c) loss from discontinued operations; (d) loss on early extinguishment of debt; (e) certain legal settlements and related expenses; (f) gain on sale of assets; (g) amortization of pension and postretirement actuarial losses; (h) net plant incident (credits) costs; (i) restructuring, impairment and plant closing costs; and (j) business separation expenses. Basic adjusted net income per share excludes dilution and is computed by dividing adjusted net income by the weighted average number of shares outstanding during the period. Adjusted diluted net income per share reflects all potential dilutive common shares outstanding during the period and is computed by dividing adjusted net income by the weighted average number of shares outstanding during the period increased by the number of additional shares that would have been outstanding as dilutive securities. Adjusted net income and adjusted net income per share amounts are presented solely as supplemental information.
- (3) The income tax impacts, if any, of each adjusting item represent a ratable allocation of the total difference between the unadjusted tax expense and the total adjusted tax expense, computed without consideration of any adjusting items using a with and without approach. We do not adjust for changes in tax valuation allowances because we do not believe it provides more meaningful information than is provided under GAAP.
- (4) Capital expenditures, net of reimbursements, represent cash paid for capital expenditures less payments received as reimbursements from customers and joint venture partners. During the six months ended June 30, 2017 and 2016, capital expenditures of \$147 million and \$189 million, respectively, were reimbursed in part by \$1 million and \$27 million, respectively, from joint venture partners and \$5 million and nil, respectively, covered by insurance on our Pori, Finland facility.
- (5) Our management uses free cash flow to assess financial performance. Free cash flow is not a defined term under U.S. GAAP, and it should not be inferred that the entire free cash flow amount is available for discretionary expenditures. The Company defines free cash flow as cash flows provided by operating activities and used in investing activities, excluding acquisition/disposition activities and including non-recurring separation costs. Free cash flow is typically derived directly from the Company's condensed consolidated statement of cash flows; however, it may be adjusted for items that affect comparability between periods.

Three Months Ended June 30, 2017 Compared with Three Months Ended June 30, 2016

For the three months ended June 30, 2017, net income attributable to Huntsman Corporation was \$167 million on revenues of \$2,616 million, compared with net income attributable to Huntsman Corporation of \$87 million on revenues of \$2,544 million for the same period of 2016. For the three months ended June 30, 2017, net income attributable to Huntsman International was \$166 million on revenues of \$2,616 million, compared with net income attributable to Huntsman International of \$86 million on revenues of \$2,544 million for the same period of 2016. The increase of \$80 million in net income attributable to both Huntsman Corporation and Huntsman International was the result of the following items:

- Revenues for the three months ended June 30, 2017 increased by \$72 million, or 3%, as compared with the 2016 period. The increase was primarily due to higher average selling prices in our Polyurethanes, Performance Products and Pigments and Additives segments and higher sales volumes in our Advanced Materials and Textile Effects segments. See “—Segment Analysis” below.
- Our gross profit and the gross profit of Huntsman International for the three months ended June 30, 2017 increased by \$64 million, or 14% each, as compared with the 2016 period. The increase resulted from

Table of Contents

higher gross margins in all our segments, except for our Textile Effects segment. See “—Segment Analysis” below.

- Our operating expenses and the operating expenses of Huntsman International for the three months ended June 30, 2017 decreased by \$34 million and \$36 million, respectively, or 13% and 14%, respectively, as compared with the 2016 period, primarily related to insurance recovery gain related to the Pori fire and a gain on the sale of an investment, offset in part by the impact of translating foreign currency amounts to the U.S. dollar.
- Restructuring, impairment and plant closing costs for the three months ended June 30, 2017 decreased to \$10 million from \$29 million in the 2016 period. For more information concerning restructuring activities, see “Note 6. Restructuring, Impairment and Plant Closing Costs” to our condensed consolidated financial statements.
- In connection with the anticipated separation of our Pigments and Additives business, we recorded business separation expenses of \$12 million and nil during the three months ended June 30, 2017 and 2016, respectively.
- Our income tax expense for the three months ended June 30, 2017 increased to \$45 million from \$32 million in the 2016 period. The income tax expense of Huntsman International for the three months ended June 30, 2017 increased to \$44 million from \$31 million in the 2016 period. Our income tax expense is significantly affected by the mix of income and losses in the tax jurisdictions in which we operate, as impacted by the presence of valuation allowances in certain tax jurisdictions. For further information concerning income taxes, see “Note 16. Income Taxes” to our condensed consolidated financial statements.

Table of Contents

## Segment Analysis

|  | Three months<br>ended<br>June 30, |          | Percent<br>Change<br>Favorable<br>(Unfavorable) |
|--|-----------------------------------|----------|---|
|  | 2017                              | 2016     |   |
| Revenues   |                                   |          |   |
| Polyurethanes  | \$ 1,022                          | \$ 976   | 5%  |
| Performance Products                                 | 561                               | 566      | (1)%  |
| Advanced Materials                                   | 260                               | 261      | —   |
| Textile Effects                                      | 205                               | 198      | 4%  |
| Pigments and Additives                               | 562                               | 576      | (2)%  |
| Corporate and eliminations                           | 6                                 | (33)     | NM  |
| Total  | \$ 2,616                          | \$ 2,544 | 3%  |
| Huntsman Corporation<br>Segment adjusted EBITDA(1)   |                                   |          |   |
| Polyurethanes  | \$ 167                            | \$ 171   | (2)%  |
| Performance Products                                 | 102                               | 86       | 19%   |
| Advanced Materials                                   | 56                                | 58       | (3)%  |
| Textile Effects                                      | 24                                | 24       | —   |
| Pigments and Additives                               | 114                               | 31       | 268%  |
| Corporate and other                                  | (50)                              | (45)     | (11)%   |
| Total  | \$ 413                            | \$ 325   | 27%   |
| Huntsman International<br>Segment adjusted EBITDA(1) |                                   |          |   |
| Polyurethanes  | \$ 167                            | \$ 171   | (2)%  |
| Performance Products                                 | 102                               | 86       | 19%   |
| Advanced Materials                                   | 56                                | 58       | (3)%  |
| Textile Effects                                      | 24                                | 24       | —   |
| Pigments and Additives                               | 114                               | 31       | 268%  |
| Corporate and other                                  | (50)                              | (43)     | (16)%   |
| Total  | \$ 413                            | \$ 327   | 26%   |

---

NM—Not meaningful

Table of Contents

For more information, including reconciliation of segment adjusted EBITDA to net income of Huntsman Corporation or Huntsman International, as appropriate, see “Note 18. Operating Segment Information” to our condensed consolidated financial statements.

|  | Three months ended June 30, 2017 vs 2016 |                                     |             |                  |
|--|--|-------------------------------------|-------------|------------------|
|  | Average Selling Price(1)                 |                                     |             |                  |
|  | Local Currency                           | Foreign Currency Translation Impact | Mix & Other | Sales Volumes(2) |
| Period-Over-Period Increase (Decrease) |  |                                     |             |                  |
| Polyurethanes                          | 15%                                      | (2)%                                | 10%         | (18)%            |
| Performance Products                   | 6%                                       | (1)%                                | —           | (6)%             |
| Advanced Materials                     | 1%                                       | (1)%                                | (2)%        | 2%               |
| Textile Effects                        | (2)%                                     | (1)%                                | 1%          | 6%               |
| Pigments and Additives                 | 12%                                      | (2)%                                | (1)%        | (11)%            |
| Total Company                          | 9%                                       | (1)%                                | 7%          | (12)%            |

|  | Three months ended June 30, 2017 vs March 31, 2017 |                                     |             |                  |
|--|--|-------------------------------------|-------------|------------------|
|  | Average Selling Price(1)                           |                                     |             |                  |
|  | Local Currency                                     | Foreign Currency Translation Impact | Mix & Other | Sales Volumes(2) |
| Period-Over-Period Increase (Decrease) |  |                                     |             |                  |
| Polyurethanes                          | 4%   | 1%                                  | 3%          | (1)%             |
| Performance Products                   | 3%   | 1%                                  | (2)%        | 3%               |
| Advanced Materials                     | —  | 2%                                  | (1)%        | (1)%             |
| Textile Effects                        | —  | 1%                                  | 4%          | 4%               |
| Pigments and Additives                 | 5%   | 2%                                  | —           | (2)%             |
| Total Company                          | 3%   | 1%                                  | 1%          | 1%               |

(1) Excludes revenues from tolling arrangements, byproducts and raw materials.

(2) Excludes sales volumes of byproducts and raw materials.

## Polyurethanes

The increase in revenues in our Polyurethanes segment for the three months ended June 30, 2017 compared to the same period of 2016 was primarily due to higher average selling prices, partially offset by lower sales volumes. MDI average selling prices increased in response to higher raw material costs and continued strong market conditions. MTBE average selling prices increased primarily as a result of higher pricing for high octane gasoline. MDI and MTBE sales volumes decreased due to the impact of maintenance outages during the second quarter of 2017. The decrease in segment adjusted EBITDA was primarily due to lower MTBE earnings, partially offset by higher MDI margins.

## Performance Products

The decrease in revenues in our Performance Products segment for the three months ended June 30, 2017 compared to the same period of 2016 was due to lower sales volumes principally because of the sale of the European surfactants business to Innospec Inc. on December 30, 2016, partially offset by higher sales volumes in our remaining businesses as well as higher average selling prices. Average selling prices increased primarily in response to higher raw material costs and favorable product mix effect partially from the sale of the European surfactants business. The increase in segment adjusted EBITDA was primarily due to higher sales volumes in our remaining businesses and lower fixed costs.

## Advanced Materials

Revenues in our Advanced Materials segment for the three months ended June 30, 2017 compared to the same period of 2016 remained relatively unchanged as unfavorable product mix was offset by higher sales volumes. Sales volumes increased primarily due to strong growth in the wind market and the Asian electronics and electrical markets, partially offset by our withdrawal from certain low margin business. The decrease in segment adjusted EBITDA was primarily due to higher raw material costs, partially offset with lower fixed costs.

## Table of Contents

### Textile Effects

The increase in revenues in our Textile Effects segment for the three months ended June 30, 2017 compared to the same period of 2016 was due to higher sales volumes, partially offset by lower average selling prices. Sales volumes increased in both textile chemicals and dyes, particularly in our Asia region. Average selling prices decreased modestly primarily due to competitive market conditions. Segment adjusted EBITDA remained relatively unchanged as lower fixed costs were offset by lower margins.

### Pigments and Additives

The decrease in revenues in our Pigments and Additives segment for the three months ended June 30, 2017 compared to the same period in 2016 was due to lower sales volumes, partially offset by higher average selling prices. Sales volumes decreased as a result of the fire at our Pori, Finland manufacturing facility. Average selling prices increased primarily due to improved business conditions for titanium dioxide. The increase in segment adjusted EBITDA was primarily due to higher average selling prices for titanium dioxide and lower costs resulting from restructuring savings. The fire at our Pori facility did not have a material impact on the segment adjusted EBITDA as our reduction in adjusted EBITDA was offset by the receipt of business interruption insurance proceeds during the second quarter of 2017.

### Corporate and other

Corporate and other includes unallocated corporate overhead, unallocated foreign currency exchange gains and losses, LIFO inventory valuation reserve adjustments, loss on early extinguishment of debt, unallocated restructuring, impairment and plant closing costs, nonoperating income and expense, benzene sales and gains and losses on the disposition of corporate assets. For the three months ended June 30, 2017, segment adjusted EBITDA from Corporate and other for Huntsman Corporation decreased by \$5 million to a loss of \$50 million from a loss of \$45 million for the same period in 2016. For the three months ended June 30, 2017, segment adjusted EBITDA from Corporate and other for Huntsman International decreased by \$7 million to a loss of \$50 million from a loss of \$43 million for the same period in 2016. The decrease in segment adjusted EBITDA from Corporate and other resulted primarily from an increase in loss from benzene sales, partially offset by an increase in unallocated foreign currency exchange gain and a decrease in LIFO inventory valuation expense.

### Discontinued Operations

The operating results of our former polymers, base chemicals and Australian styrenics businesses are classified as discontinued operations, and, accordingly, the revenues of these businesses are excluded from revenues for all periods presented. The adjusted EBITDA of these former businesses are included in discontinued operations for all periods presented. The loss from discontinued operations represents the operating results, legal costs, restructuring, impairment and plant closing costs and gain (loss) on disposal with respect to our former businesses.

Six Months Ended June 30, 2017 Compared with Six Months Ended June 30, 2016

For the six months ended June 30, 2017, net income attributable to Huntsman Corporation was \$243 million on revenues of \$5,085 million, compared with net income attributable to Huntsman Corporation of \$143 million on revenues of \$4,899 million for the same period of 2016. For the six months ended June 30, 2017, net income attributable to Huntsman International was \$241 million on revenues of \$5,085 million, compared with net income attributable to Huntsman International of \$142 million on revenues of \$4,899 million for the same period of 2016. The increase of \$100 million in net income attributable to Huntsman Corporation and the increase of \$99 million in net income attributable to Huntsman International was the result of the following items:

- Revenues for the six months ended June 30, 2017 increased by \$186 million, or 4%, as compared with the 2016 period. The increase was primarily due to higher average selling prices in our Polyurethanes, Performance Products and Pigments and Additives segments and higher sales volumes in our Textile Effects segment. See “—Segment Analysis” below.



Table of Contents

- Our gross profit and the gross profit of Huntsman International for the six months ended June 30, 2017 increased by \$114 million, or 13% each, as compared with the 2016 period. The increase resulted from higher gross margins in our Polyurethanes and Pigments and Additives segments. See “—Segment Analysis” below.
- Our operating expenses and the operating expenses of Huntsman International for the six months ended June 30, 2017 decreased by \$40 million and \$41 million, respectively, or 8% for both, as compared with the 2016 period, primarily related to insurance recovery gain related to the Pori fire and a gain on the sale of an investment, offset in part by the impact of translating foreign currency amounts to the U.S. dollar.
- Restructuring, impairment and plant closing costs for the six months ended June 30, 2017 increased to \$46 million from \$42 million in the 2016 period. For more information concerning restructuring activities, see “Note 6. Restructuring, Impairment and Plant Closing Costs” to our condensed consolidated financial statements.
- In connection with the anticipated separation of our Pigments and Additives business, we recorded business separation expenses of \$21 million and nil during the six months ended June 30, 2017 and 2016, respectively.
- Our income tax expense for the six months ended June 30, 2017 increased to \$68 million from \$59 million in the 2016 period. The income tax expense of Huntsman International for the six months ended June 30, 2017 decreased to \$67 million from \$58 million in the 2016 period. Our income tax expense is significantly affected by the mix of income and losses in the tax jurisdictions in which we operate, as impacted by the presence of valuation allowances in certain tax jurisdictions. For further information concerning income taxes, see “Note 16. Income Taxes” to our condensed consolidated financial statements.

Table of Contents

|                            | Six months<br>ended<br>June 30,<br>2017 |          | 2016 | Percent<br>Change<br>Favorable<br>(Unfavorable) |
|----------------------------|---|----------|------|---|
| Revenues                   |   |          |      |   |
| Polyurethanes              | \$ 1,975                                | \$ 1,812 |      | 9%  |
| Performance Products       | 1,094                                   | 1,102    |      | (1)%  |
| Advanced Materials         | 519                                     | 527      |      | (2)%  |
| Textile Effects            | 393                                     | 383      |      | 3%  |
| Pigments and Additives     | 1,099                                   | 1,116    |      | (2)%  |
| Corporate and eliminations | 5                                       | (41)     |      | NM  |
| Total                      | \$ 5,085                                | \$ 4,899 |      | 4%  |
| Huntsman Corporation       |   |          |      |   |
| Segment adjusted EBITDA(1) |   |          |      |   |
| Polyurethanes              | \$ 311                                  | \$ 302   |      | 3%  |
| Performance Products       | 186                                     | 178      |      | 4%  |
| Advanced Materials         | 110                                     | 118      |      | (7)%  |
| Textile Effects            | 45                                      | 42       |      | 7%  |
| Pigments and Additives     | 183                                     | 46       |      | 298%  |
| Corporate and other        | (93)                                    | (87)     |      | (7)%  |
| Total                      | \$ 742                                  | \$ 599   |      | 24%   |
| Huntsman International     |   |          |      |   |
| Segment adjusted EBITDA(1) |   |          |      |   |
| Polyurethanes              | \$ 311                                  | \$ 302   |      | 3%  |
| Performance Products       | 186                                     | 178      |      | 4%  |
| Advanced Materials         | 110                                     | 118      |      | (7)%  |
| Textile Effects            | 45                                      | 42       |      | 7%  |
| Pigments and Additives     | 183                                     | 46       |      | 298%  |
| Corporate and other        | (91)                                    | (85)     |      | (7)%  |
| Total                      | \$ 744                                  | \$ 601   |      | 24%   |

---

NM—Not meaningful

For more information, including reconciliation of segment adjusted EBITDA to net income of Huntsman Corporation or Huntsman International, as appropriate, see “Note 18. Operating Segment Information” to our condensed consolidated financial statements.

Six months ended June 30, 2017 vs 2016

Edgar Filing: Huntsman CORP - Form 10-Q

| Period-Over-Period Increase (Decrease) | Average Selling Price(1) |                                     |             | Sales Volumes(2) |
|--|--------------------------|-------------------------------------|-------------|------------------|
|  | Local Currency           | Foreign Currency Translation Impact | Mix & Other |                  |
| Polyurethanes                          | 13%                      | (2)%                                | 7%          | (9)%             |
| Performance Products                   | 5%                       | (1)%                                | 1%          | (6)%             |
| Advanced Materials                     | —                        | (1)%                                | —           | (1)%             |
| Textile Effects                        | (2)%                     | (1)%                                | (2)%        | 8%               |
| Pigments and Additives                 | 11%                      | (2)%                                | (2)%        | (9)%             |
| Total Company                          | 8%                       | (1)%                                | 5%          | (8)%             |

---

(1) Excludes revenues from tolling arrangements, byproducts and raw materials.

(2) Excludes sales volumes of byproducts and raw materials.

## Table of Contents

### Polyurethanes

The increase in revenues in our Polyurethanes segment for the six months ended June 30, 2017 compared to the same period of 2016 was primarily due to higher average selling prices, partially offset by lower sales volumes. MDI average selling prices increased in response to higher raw material costs and continued strong market conditions. MTBE average selling prices increased primarily as a result of higher pricing for high octane gasoline. MDI and MTBE sales volumes decreased due to the impact of maintenance outages during the second quarter of 2017. The increase in segment adjusted EBITDA was primarily due to higher MDI margins, partially offset by lower MTBE margins.

### Performance Products

The decrease in revenues in our Performance Products segment for the six months ended June 30, 2017 compared to the same period of 2016 was due to lower sales volumes principally because of the sale of the European surfactants business to Innospec Inc. on December 30, 2016, partially offset by higher sales volumes in our remaining businesses as well as higher average selling prices. Average selling prices increased primarily in response to higher raw material costs and favorable product mix effect partially from the sale of the European surfactants business. The increase in segment adjusted EBITDA was primarily due to higher sales volumes in our remaining businesses and lower fixed costs.

### Advanced Materials

The decrease in revenues in our Advanced Materials segment for the six months ended June 30, 2017 compared to the same period of 2016 was primarily due to lower sales volumes. Sales volumes decreased primarily due to our withdrawal from certain low margin business, partially offset by strong growth in the wind market and certain higher value businesses. Average selling prices were stable as the adverse impact of a stronger U.S. dollar against major international currencies was offset by the impact of higher average local currency selling prices. The decrease in segment adjusted EBITDA was due to lower margins resulting from lower sales volumes, higher raw material costs and higher fixed costs.

### Textile Effects

The increase in revenues in our Textile Effects segment for the six months ended June 30, 2017 compared to the same period of 2016 was due to higher sales volumes, partially offset by lower average selling prices. Sales volumes increased in both textile chemicals and dyes, particularly in our Asia region. Average selling prices decreased primarily due to competitive market conditions. The increase in segment adjusted EBITDA was primarily due to higher volumes and lower fixed costs.

## Pigments and Additives

The decrease in revenues in our Pigments and Additives segment for the six months ended June 30, 2017 compared to the same period in 2016 was due to lower sales volumes, partially offset by higher average selling prices. Sales volumes decreased as a result of the fire at our Pori, Finland manufacturing facility, partially offset by an increase in sales volumes within our complementary performance additives business. Average selling prices increased primarily due to improved business conditions for titanium dioxide. The increase in segment adjusted EBITDA was primarily due to higher average selling prices for titanium dioxide and lower costs resulting from restructuring savings, partially offset by approximately \$15 million in lower EBITDA during the first quarter of 2017 related to unrecovered business interruption losses from the fire at our Pori facility, which were incurred during the deductible period.

## Corporate and other

Corporate and other includes unallocated corporate overhead, unallocated foreign currency exchange gains and losses, LIFO inventory valuation reserve adjustments, loss on early extinguishment of debt, unallocated restructuring, impairment and plant closing costs, nonoperating income and expense, benzene sales and gains and losses on the disposition of corporate assets. For the six months ended June 30, 2017, segment adjusted EBITDA from Corporate and other for Huntsman Corporation decreased by \$6 million to a loss of \$93 million from a loss of \$87 million for the same period in 2016. For the six months ended June 30, 2017, segment adjusted EBITDA from Corporate and other for Huntsman International decreased by \$6 million to a loss of \$91 million from a loss of \$85 million for the same period in 2016. The decrease in segment adjusted EBITDA from Corporate and other resulted primarily from an increase in LIFO

Table of Contents

inventory valuation expense, an increase in loss from benzene sales and an increase in unallocated corporate overhead, partially offset by an increase in unallocated foreign currency exchange gain.

Discontinued Operations

The operating results of our former polymers, base chemicals and Australian styrenics businesses are classified as discontinued operations, and, accordingly, the revenues of these businesses are excluded from revenues for all periods presented. The adjusted EBITDA of these former businesses are included in discontinued operations for all periods presented. The loss from discontinued operations represents the operating results, legal costs, restructuring, impairment and plant closing costs and gain (loss) on disposal with respect to our former businesses.

LIQUIDITY AND CAPITAL RESOURCES

The following is a discussion of our liquidity and capital resources and does not include separate information with respect to Huntsman International in accordance with General Instructions H(1)(a) and (b) of Form 10 Q.

Cash

Net cash provided by operating activities for the six months ended June 30, 2017 and 2016 was \$394 million and \$443 million, respectively. The decrease in net cash provided by operating activities during the six months ended June 30, 2017 compared with the same period in 2016 was primarily attributable to a \$168 million unfavorable variance in operating assets and liabilities for the six months ended June 30, 2017 as compared with the same period of 2016, partially offset by increased operating income as described in “—Results of Operations” above.

Net cash used in investing activities for the six months ended June 30, 2017 and 2016 was \$83 million and \$174 million, respectively. During the six months ended June 30, 2017 and 2016, we paid \$147 million and \$189 million, respectively, for capital expenditures. During the six months ended June 30, 2017, we received insurance proceeds of approximately \$50 million for recovery of property damage as a result of fire damage at our Pori, Finland manufacturing facility. We received proceeds from the sale of assets of \$19 million and paid \$14 million for the acquisition of a business during the six months ended June 30, 2017. During the six months ended June 30, 2017 and 2016, we made investments in Louisiana Pigment Company, L.P. of \$19 million and \$14 million, respectively, and received dividends from Louisiana Pigment Company, L.P. of \$27 million and \$19 million, respectively.

Edgar Filing: Huntsman CORP - Form 10-Q

Net cash used in financing activities for the six months ended June 30, 2017 and 2016 was \$224 million and \$153 million, respectively. The increase in net cash used in financing activities was primarily due to an increase in net repayments of our revolving loan facility and net repayments of long term debt during the 2017 period as compared with the 2016 period.

Free cash flow for the six months ended June 30, 2017 and 2016 were cash proceeds of \$333 million and \$269 million, respectively. The improvement in free cash flow was attributable to the changes in cash flows from operating and investing activities, excluding separation and acquisition activities.

Table of Contents

## Changes in Financial Condition

The following information summarizes our working capital position (dollars in millions):

|                                    | June 30,<br>2017 | December 31,<br>2016 | Increase<br>(Decrease) | Percent<br>Change |
|------------------------------------|------------------|----------------------|------------------------|-------------------|
| Cash and cash equivalents          | \$ 509           | \$ 414               | \$ 95                  | 23%               |
| Restricted cash                    | 11               | 11                   | —                      | —                 |
| Accounts and notes receivable, net | 1,629            | 1,435                | 194                    | 14%               |
| Inventories                        | 1,520            | 1,344                | 176                    | 13%               |
| Prepaid expenses                   | 58               | 60                   | (2)                    | (3)%              |
| Other current assets               | 253              | 291                  | (38)                   | (13)%             |
| Total current assets               | 3,980            | 3,555                | 425                    | 12%               |
| Accounts payable                   | 1,170            | 1,102                | 68                     | 6%                |
| Accrued liabilities                | 669              | 616                  | 53                     | 9%                |
| Current portion of debt            | 44               | 60                   | (16)                   | (27)%             |
| Total current liabilities          | 1,883            | 1,778                | 105                    | 6%                |
| Working capital                    | \$ 2,097         | \$ 1,777             | \$ 320                 | 18%               |

Our working capital increased by \$320 million as a result of the net impact of the following significant changes:

- The increase in cash and cash equivalents of \$95 million resulted from the matters identified on our condensed consolidated statements of cash flows.
- Accounts and notes receivable increased by \$194 million mainly due to higher revenues in the three months ended June 30, 2017 compared to the three months ended December 31, 2016.
- Inventories increased by \$176 million primarily due to higher inventory volumes and higher raw material costs, offset in part by lower inventory volumes in our Pigments and Additives segment as a result of the fire at our Pori, Finland manufacturing facility.
- Other current assets decreased by \$38 million primarily due to a decrease in current income taxes receivable, offset in part by higher bank accepted drafts with maturities greater than 90 days from receipt.
- Accounts payable increased by \$68 million primarily due to higher purchases consistent with the higher inventory balances.



- Accrued liabilities increased by \$53 million primarily due to deferred income recorded in connection with the partial progress payments received from our insurer related to the fire at our Pori, Finland manufacturing facility. For more information, see “Note 1. General—Recent Developments—Pori Fire” to our condensed consolidated financial statements.
- Current portion of debt decreased by \$16 million primarily due to the reduction of current portion of capital leases in the second quarter of 2017.

#### DIRECT AND SUBSIDIARY DEBT

See “Note 7. Debt—Direct and Subsidiary Debt” to our condensed consolidated financial statements.

#### Debt Issuance Costs

See “Note 7. Debt—Direct and Subsidiary Debt—Debt Issuance Costs” to our condensed consolidated financial statements.

Table of Contents

Senior Credit Facilities

See “Note 7. Debt—Direct and Subsidiary Debt—Senior Credit Facilities” to our condensed consolidated financial statements.

Seventeenth Amendment to Credit Agreement

See “Note 7. Debt—Direct and Subsidiary Debt—Seventeenth Amendment to Credit Agreement” to our condensed consolidated financial statements.

A/R Programs

See “Note 7. Debt—Direct and Subsidiary Debt—A/R Programs” to our condensed consolidated financial statements.

Venator Unsecured Notes

See “Note 7. Debt—Direct and Subsidiary Debt—Venator Unsecured Notes” to our condensed consolidated financial statements.

Venator Credit Facilities

See “Note 7. Debt— Direct and Subsidiary Debt—Venator Credit Facilities” to our condensed consolidated financial statements.

Note Payable from Huntsman International to Huntsman Corporation

See “Note 7. Debt—Direct and Subsidiary Debt—Note Payable from Huntsman International to Huntsman Corporation” to our condensed consolidated financial statements.

## COMPLIANCE WITH COVENANTS

See “Note 7. Debt—Compliance with Covenants” to our condensed consolidated financial statements.

## SHORT-TERM AND LONG-TERM LIQUIDITY

We depend upon our cash, Senior Credit Facilities, A/R Programs and other debt instruments to provide liquidity for our operations and working capital needs. As of June 30, 2017, we had \$1,293 million of combined cash and unused borrowing capacity, consisting of \$520 million in cash and restricted cash, \$633 million in availability under our Revolving Facility, and \$140 million in availability under our A/R Programs. Our liquidity can be significantly impacted by various factors. The following matters had, or are expected to have, a significant impact on our liquidity:

- Cash invested in our accounts receivable and inventory, net of accounts payable, decreased by approximately \$200 million for the six months ended June 30, 2017, as reflected in our condensed consolidated statements of cash flows. We expect volatility in our working capital components to continue.
- During 2017, we expect to spend approximately \$380 million on capital expenditures, net of reimbursements. Our future expenditures include certain EHS maintenance and upgrades, repair of our Pori manufacturing facility that was damaged by fire on January 30, 2017 and periodic maintenance and repairs applicable to major units of manufacturing facilities. We expect to fund this spending with cash provided by operations.
- On January 30, 2017, our titanium dioxide manufacturing facility in Pori, Finland experienced fire damage and is currently not fully operational. The Pori facility has a nameplate capacity of 130,000 metric tons, which represents approximately 17% of our total titanium dioxide nameplate capacity and approximately 2% of total global titanium dioxide demand. The site is insured for property damage as well as business interruption losses. According to our insurance policies, the respective retention levels (deductibles) for

Table of Contents

physical damage and business interruption are \$15 million and 60 days, respectively, with a limit of \$500 million. During the first half of 2017, we received \$130 million from our insurer as partial progress payments towards the overall pending claim. On July 10, 2017 we received another partial progress payment in the amount of \$11 million from our insurer.

We have established a process with our insurer to receive timely advance payments for the reconstruction of the facility as well as lost profits. We have agreed with our insurer to have monthly meetings to review relevant site activities and interim claims as well as regular progress payments. A portion of our white end production became operational during the second quarter of 2017, and we expect the Pori facility to restart in phases as follows: approximately 40% capacity in the second quarter of 2018; and full capacity around the end of 2018.

As of June 30, 2017, there was approximately \$77 million remaining of the partial progress payments received from our insurer with respect to the Pori fire. The separation agreement between Huntsman and Venator provides that Venator will have the benefit of the property damage and business interruption insurance proceeds related to covered repair costs or covered lost profits incurred following this offering related to the Pori fire, including any unspent amounts of the insurance progress payments still remaining at the time of the Separation. Any unspent insurance proceeds will transfer to Venator upon the Separation.

- During the six months ended June 30, 2017, we made contributions to our pension and postretirement benefit plans of \$39 million. During 2017, we expect to contribute an additional amount of approximately \$80 million to these plans.
- We are involved in a number of cost reduction programs for which we have established restructuring accruals. As of June 30, 2017, we had \$99 million of accrued restructuring costs from continuing operations, of which \$54 million is classified as current. For further discussion of these plans and the costs involved, see “Note 6. Restructuring, Impairment and Plant Closing costs” to our condensed consolidated financial statements.

Further, we expect to incur additional restructuring charges for recently identified plans for business improvements in our Pigments and Additives segment expected to be completed by the end of 2018. We expect these additional business improvements to provide additional contributions to adjusted EBITDA in 2017.

- The payment of dividends is a business decision made by our Board of Directors from time to time based on our earnings, financial position and prospects, and such other considerations as our Board of Directors considers relevant. Historically, our Board of Directors has declared quarterly cash dividends of \$0.125 per share of common stock. While management currently expects that the Company will continue to pay the quarterly cash dividend, its dividend practice may change at any time.
- In connection with the separation of our Pigments and Additives business, Venator intends to enter into new financing arrangements and expects to incur up to \$750 million of new debt, which will include (i) \$375 million of senior unsecured notes and (ii) borrowings of \$375 million under a new senior secured term loan facility. Venator intends to use the net proceeds to repay intercompany debt Venator owes to Huntsman, to pay a dividend to

Huntsman (to the extent net proceeds exceed the net intercompany amounts Venator owes to Huntsman) and to pay related fees and expenses. For more information see “Note 7. Debt—Direct and Subsidiary Debt—Venator Unsecured Notes and Venator Credit Facilities” to our condensed consolidated financial statements.

- One-time costs associated with the Separation are expected to be approximately \$85 million, excluding costs associated with the financing and pending initial public offering of Venator. Of the \$85 million, we expect to spend approximately \$35 million during the remainder of 2017. Estimated costs associated with the Venator financing are approximately \$25 million.
- On May 22, 2017, we announced our intention to join with Swiss specialty chemicals manufacturer Clariant in a merger of equals. In connection with this merger, we could spend approximately \$50 million in merger-related costs. For more information regarding the merger, see “Note 1. General—Recent

## Table of Contents

Developments—Huntsman Clariant Merger” to our condensed consolidated financial statements.

- During the six months ended June 30, 2017, we received a cash benefit of approximately \$90 million related to overpayments of prior year tax payments.
- On both April 25, 2017 and July 26, 2017, we made early prepayments of \$100 million on our 2015 Extended Term Loan B from existing cash. For further information, see “Note 7. Debt—Direct and Subsidiary Debt—Senior Credit Facilities” to our condensed consolidated financial statements.

As of June 30, 2017, we had \$44 million classified as current portion of debt, including scheduled Senior Credit Facilities amortization payments totaling \$17 million, debt at our variable interest entities of \$21 million, and certain other short term facilities and scheduled amortization payments totaling \$6 million. Although we cannot provide assurances, we intend to renew, repay or extend the majority of these short term facilities in the next twelve months.

As of June 30, 2017, we had approximately \$349 million of cash and cash equivalents, including restricted cash, held by our foreign subsidiaries, including our variable interest entities. Additionally, we have material intercompany debt obligations owed to us by our non U.S. subsidiaries. We intend to use cash held in our foreign subsidiaries to fund our local operations or to repatriate cash as repayments of intercompany debt. If foreign cash was repatriated as a dividend instead of repayment of intercompany debt, the dividend could be subject to U.S. federal and state income taxes without any offsetting foreign tax credit relief. At present, we estimate that we will generate sufficient cash in our U.S. operations, together with the payments of intercompany debt, to meet our cash needs in the U.S and we do not expect to repatriate cash to the U.S. as a dividend. Cash held by certain foreign subsidiaries, including our variable interest entities, may also be subject to legal restrictions, including those arising from the interests of our partners, which could limit the amounts available for repatriation.

## CAPITAL RESOURCES

We are now commissioning a new production facility in Augusta, Georgia for the synthesis of iron oxide pigments, which we purchased from Rockwood. During commissioning, the facility has experienced delays producing products at the expected specifications and quantities, causing us to question the capabilities of the Augusta technology. Based on the facility’s performance during the commissioning process, we have concluded that production capacity at our Augusta facility will be substantially lower than originally anticipated. On February 6, 2017, we filed a lawsuit against Rockwood, Albemarle Corporation (as Rockwood’s successor) and certain former Rockwood executives to recover damage for fraud and breach of contract involving the Augusta technology.

## RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS

Since the Rockwood acquisition in 2014, our Pigments and Additives segment has been involved in a cost reduction program that has delivered more than \$200 million of annual cost synergies and improved its global competitiveness. In addition, we implemented a capacity reduction at our titanium dioxide manufacturing facility in Calais, France, which has generated approximately \$35 million of annual savings beginning in the first half of 2016. We have since determined to close the Calais, France facility. Further, we are incurring additional restructuring charges for recently identified plans for business improvements in our Pigments and Additives segment expected to be completed by the end of 2018. These additional business improvements to provide additional contributions to adjusted EBITDA began in the second quarter of 2017.

For further discussion of these and other restructuring plans and the costs involved, see “Note 6. Restructuring, Impairment and Plant Closing Costs” to our condensed consolidated financial statements.

## LEGAL PROCEEDINGS

For a discussion of legal proceedings, see “Note 13. Commitments and Contingencies—Legal Matters” and “Note 14. Environmental, Health and Safety Matters—Environmental Matters” to our condensed consolidated financial statements.

Table of Contents

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

As noted in our Annual Report on Form 10-K for the year ended December 31, 2016, “Part I. Item 1. Business—Environmental, Health and Safety Matters” and “Part I. Item 1A, “Risk Factors,” we are subject to extensive environmental regulations, which may impose significant additional costs on our operations in the future. While we do not expect any of these enactments or proposals to have a material adverse effect on us in the near term, we cannot predict the longer term effect of any of these regulations or proposals on our future financial condition. For a discussion of environmental, health and safety matters, see “Note 14. Environmental, Health and Safety Matters” to our condensed consolidated financial statements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For a discussion of recently issued accounting pronouncements, see “Note 2. Recently Issued Accounting Pronouncements” to our condensed consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

Our critical accounting policies are presented in Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks, such as changes in interest rates, foreign exchange rates and commodity pricing risks. From time to time, we enter into transactions, including transactions involving derivative instruments, to manage certain of these exposures.

All derivatives, whether designated as hedging relationships or not, are recorded on our balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged items are recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in accumulated other comprehensive loss, to the extent effective, and will be recognized in the income statement when the hedged item affects earnings. To the extent applicable, we perform effectiveness assessments in order to use hedge accounting at each reporting period. For a derivative that does not qualify as a hedge, changes in fair value are recognized in earnings.



We also hedge our net investment in certain European operations. Changes in the fair value of the hedge in the net investment of certain European operations are recorded as an unrealized currency translation adjustment in accumulated other comprehensive loss.

Our revenues and expenses are denominated in various foreign currencies, and our cash flows and earnings are thus subject to fluctuations due to exchange rate variations. From time to time, we may enter into foreign currency derivative instruments to minimize the short-term impact of movements in foreign currency rates. Where practicable, we generally net multicurrency cash balances among our subsidiaries to help reduce exposure to foreign currency exchange rates. Certain other exposures may be managed from time to time through financial market transactions, principally through the purchase of spot or forward foreign exchange contracts (generally with maturities of one year or less). We do not hedge our foreign currency exposures in a manner that would eliminate the effect of changes in exchange rates on our cash flows and earnings. As of June 30, 2017, we had approximately \$146 million in notional amount (in U.S. dollar equivalents) outstanding in forward foreign currency contracts.

Huntsman International had entered into several interest rate contracts to hedge the variability caused by monthly changes in cash flow due to associated changes in LIBOR under our Senior Credit Facilities. These swaps were designated as cash flow hedges and the effective portion of the changes in the fair value of the swaps were recorded in other comprehensive income (loss). These swaps expired in April 2017.

Beginning in 2009, Arabian Amines Company entered into a 12-year floating to fixed interest rate contract providing for a receipt of LIBOR interest payments for a fixed payment of 5.02%. In connection with the consolidation of Arabian Amines Company as of July 1, 2010, the interest rate contract is now included in our consolidated results. See "Note 5. Variable Interest Entities" to our condensed consolidated financial statements. The notional amount of the swap as of June 30, 2017 was \$16 million, and the interest rate contract is not designated as a cash flow hedge. As of

Table of Contents

June 30, 2017, the fair value of the swap was \$1 million and was recorded in noncurrent liabilities on our condensed consolidated balance sheets. For each of the six months ended June 30, 2017 and 2016, we recorded a reduction of interest expense of nil due to changes in fair value of the swap.

In November 2014, we entered into two five year cross-currency interest rate contracts and one eight year cross-currency interest rate contract to swap an aggregate notional \$200 million for an aggregate notional €161 million. This swap is designated as a hedge of net investment for financial reporting purposes. Under the cross-currency interest rate contract, we will receive fixed U.S. dollar payments of \$5 million semiannually on May 15 and November 15 (equivalent to an annual rate of 5.125%) and make interest payments of approximately €3 million (equivalent to an annual rate of approximately 3.6%). As of June 30, 2017, the fair value of this swap was \$16 million and was recorded in noncurrent assets on our condensed consolidated balance sheets.

A portion of our debt is denominated in euros. We also finance certain of our non-U.S. subsidiaries with intercompany loans that are, in many cases, denominated in currencies other than the entities' functional currency. We manage the net foreign currency exposure created by this debt through various means, including cross-currency swaps, the designation of certain intercompany loans as permanent loans because they are not expected to be repaid in the foreseeable future and the designation of certain debt and swaps as net investment hedges.

Foreign currency transaction gains and losses on intercompany loans that are not designated as permanent loans are recorded in earnings. Foreign currency transaction gains and losses on intercompany loans that are designated as permanent loans are recorded in other comprehensive income on our condensed statements of comprehensive income. From time to time, we review such designation of intercompany loans.

We review our non-U.S. dollar denominated debt and derivative instruments to determine the appropriate amounts designated as hedges. As of June 30, 2017, we have designated approximately €746 million (approximately \$846 million) of euro-denominated debt and cross-currency interest rate contracts as a hedge of our net investment. For the six months ended June 30, 2017, the amount of loss recognized on the hedge of our net investment was \$54 million and was recorded in other comprehensive income (loss) on our condensed consolidated statements of comprehensive income.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2017. Based on this evaluation, our chief executive officer and chief financial officer have concluded that, as of June 30, 2017, our disclosure controls and procedures were effective, in that they ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is

(1) recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and (2) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

No changes to our internal control over financial reporting occurred during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). However, we can only give reasonable assurance that our internal controls over financial reporting will prevent or detect material misstatements on a timely basis. Ineffective internal controls over financial reporting could cause investors to lose confidence in our reported financial information and could result in a lower trading price for our securities.

77

---

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

During the three months ended June 30, 2017, there have been no material developments with respect to material legal proceedings referenced in Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 1A. RISK FACTORS

For information regarding risk factors, see “Part I. Item 1A. Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2016. In addition to the risk factors noted in the Annual Report on Form 10-K, the following risk factors are applicable to us.

Risks Related to the Pending Merger with Clariant

The announcement and pendency of the merger with Clariant may have an adverse effect on our business, operating results and stock price.

On May 21, 2017, Huntsman, Clariant and Merger Sub entered into the Merger Agreement, pursuant to which, subject to the satisfaction or waiver of certain conditions, Merger Sub will merge with and into Huntsman, with Huntsman surviving as a wholly owned subsidiary of Clariant, and Clariant will be renamed HuntsmanClariant. We have operated and, until completion of the merger, will continue to operate independently of Clariant. Uncertainty about the merger may adversely affect our revenue, operating results and stock price, whether or not the merger is completed. For example, our customers or other partners may:

- delay, defer or cease purchasing products or services from us or providing goods or services to us;
- delay or defer other decisions concerning us;
- cease further joint development activities; or
- otherwise seek to change the terms on which they do business with us.

Any uncertainty related to the merger could adversely impact our relationships or contract negotiations with third parties, including our customers and other business partners, or those with which we are seeking to establish business relationships. We are also subject to additional risks in connection with the announcement and pendency of the merger which could adversely impact our operating results, including:

- the pendency and outcome of any legal proceedings that may be instituted against us, our directors and others relating to the transactions contemplated by the merger and the other transactions contemplated by the Merger Agreement;
- the restrictions, subject to certain exceptions, imposed on our conduct of business pursuant to certain covenants set forth in the Merger Agreement, which may prevent us from pursuing certain strategic opportunities without

Clariant's approval;

- that we may forego opportunities we might otherwise pursue absent the pending merger;
- potential adverse effects on our ability to retain and motivate current employees, and attract and recruit prospective employees who may be uncertain about their future roles and relationships with us following the completion of the merger; and
- the diversion of our employees' and management's attention due to activities related to the proposed merger, which could otherwise have been devoted to other opportunities that may have been beneficial to us.

In addition, we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other transaction costs in connection with the merger, and these fees and costs are payable by us irrespective of whether the merger is consummated.

78

---

Table of Contents

Our pending merger with Clariant may not be completed, may be delayed or may be approved subject to materially burdensome conditions by regulatory authorities that are outside of our control and that we may be unable to satisfy, and as a result, our business, operating results and stock price may be adversely affected.

We cannot provide any assurance that the merger will be completed or that there will not be a delay in the completion of the merger. The ability to consummate the merger is subject to risks and uncertainties, including, but not limited to, the risks that the conditions to the merger are not satisfied, or if possible, waived, including, among others, (a) the approval of our stockholders of the merger; (b) the approval of the shareholders of Clariant of (i) the increase in share capital of Clariant and the issuance of shares to Huntsman stockholders in connection with the merger, (ii) the election of the initial members of the HuntsmanClariant board of directors and the initial members of the HuntsmanClariant compensation committee, each to be effective as of the effective time of the merger, (iii) the amendment and restatement of the articles of association of Clariant and (iv) the total compensation of the HuntsmanClariant executive committee and board of directors for 2018; (c) the declaration of the effectiveness by the SEC of the Registration Statement on Form F-4 to be filed by Clariant, (d) the approval of HuntsmanClariant shares for listing on the New York Stock Exchange (“NYSE”) and the approval of the HuntsmanClariant shares to be issued in the merger for listing on the Swiss Stock Exchange (“SIX”); (e) the receipt of required domestic and foreign antitrust approvals, including the termination or expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976; and (f) the receipt of clearance from the Committee on Foreign Investment in the United States.

Even if all required consents, orders and approvals are obtained and all necessary conditions are satisfied, the consents, orders and approvals may include restrictive terms and conditions. Regulatory and governmental entities may impose conditions on the granting of consents, orders and approvals, and if regulatory and governmental entities seek to impose conditions, lengthy negotiations may ensue among the regulatory or governmental entities, Clariant and Huntsman. These conditions and the process of obtaining these consents, orders and approvals could have the effect of delaying the completion of the merger and these conditions may not be satisfied for an extended period of time following the Huntsman stockholder meeting and Clariant shareholder meeting.

The conditions imposed by regulatory and governmental entities on the granting of consents, orders and approvals may also require divestitures relating to the divisions, operations or assets of Clariant and Huntsman, may impose limitations or costs, and may place restrictions on the conduct of Clariant’s or Huntsman’s business. Under the Merger Agreement, neither Clariant nor Huntsman, nor any of their respective subsidiaries (including Merger Sub), will be required to, as a condition to obtaining any required consent, or resolving any objection of any governmental entity, undertake any action (including selling, or otherwise disposing or imposing restrictions on any of its businesses), if this action would, or would reasonably be expected to, individually or in the aggregate, result in a material adverse effect on the assets, liabilities, condition (financial or otherwise), business or results of operations of Clariant and its subsidiaries (including Huntsman and its subsidiaries), on a combined basis, taken as a whole, following consummation of the merger and the other transactions contemplated by the Merger Agreement. These conditions may therefore reduce the anticipated benefits of the merger, which could also have a material adverse effect on the combined company’s business and cash flows and results of operations, and neither Clariant nor Huntsman can predict, what, if any, changes may be required by regulatory or governmental authorities whose consents, orders or approvals are required.

If the merger is not completed for any reason or if it is completed subject to materially burdensome conditions imposed by regulatory or governmental authorities, we may be subjected to a number of material risks. The price of our common stock may decline to the extent that the current market price reflects a market assumption that the merger will be completed. In addition, some costs related to the merger must be paid by us whether or not the merger is completed. Furthermore, we may experience negative reactions from our stockholders, clients and/or employees.

Potential litigation filed against Clariant or us could prevent or delay the completion of the merger or result in the payment of damages following completion of the merger.

We and members of our Board of Directors or executive officers may in the future be parties, among others, to various claims and litigation related to the pending merger, including putative stockholder class actions. Among other remedies, the plaintiffs in such matters may seek to enjoin the merger. The results of complex legal proceedings of this nature are difficult to predict, and could delay or prevent the merger from becoming effective in a timely manner. The existence of litigation relating to the merger could impact the likelihood of obtaining the stockholder approvals necessary to complete the merger from either Clariant or us. Moreover, even if it is without merit, any future litigation

Table of Contents

could be time consuming and expensive, could divert our attention away from regular business and, if any one of these potential lawsuits is adversely resolved, could have a material adverse effect on our results of operations and financial condition.

One of the conditions to the closing of the merger is that no governmental entity shall have enacted or promulgated any statute, rule, regulation or other law or issued any order or injunction preventing the consummation of the merger. Consequently, if a governmental entity secures injunctive or other relief prohibiting, delaying or otherwise adversely affecting our or Clariant's ability to complete the merger on the terms contemplated by the Merger Agreement, then such law or injunction or other relief may prevent the merger from becoming effective in a timely manner, or at all.

Our stockholders in the aggregate will not have a majority ownership and voting interest in HuntsmanClariant immediately after completion of the pending merger, and will be subject to risks related to HuntsmanClariant's share price after becoming shareholders of HuntsmanClariant.

Our stockholders presently have the right to vote for the election of directors to our Board of Directors and on other matters affecting us. Immediately following the merger, our stockholders are expected to own approximately 48% of HuntsmanClariant's outstanding shares on a fully-diluted basis. In addition, as of immediately following the merger, our former directors and the former directors of Clariant will each constitute half of the HuntsmanClariant Board of Directors. As a result, our stockholders may have less influence on the management and policies of HuntsmanClariant and its subsidiaries than they now have on our management and policies.

Upon closing of the merger, our stockholders will become shareholders of HuntsmanClariant upon their receipt of shares of HuntsmanClariant in connection with the merger. HuntsmanClariant's shares will be listed for trading on the SIX and the NYSE following the merger. Our stockholders will be subject to risks related to the market price of HuntsmanClariant's shares after becoming shareholders of HuntsmanClariant in connection with the merger. The market prices of HuntsmanClariant's shares after the merger might be affected by factors different from, or in addition to, those currently affecting the market prices of our common stock.

In addition, notwithstanding the fact that HuntsmanClariant will issue a significant number of HuntsmanClariant's shares to Huntsman stockholders in connection with the Merger, there is no guarantee that a significant market for HuntsmanClariant's shares will develop or be sustained on the NYSE following the merger. Huntsman stockholders may decide to sell the shares received by them in the merger, which will generally be eligible for immediate resale, rather than remain HuntsmanClariant shareholders, which could have an adverse impact on the trading price of the shares. As Clariant is a company organized under the laws of Switzerland and is not as well known to investors in the United States as it is in Switzerland and elsewhere in Europe, investors in Switzerland and elsewhere in Europe may be more likely to purchase any HuntsmanClariant's shares sold by Huntsman stockholders following the merger than investors in the United States. If a substantial portion of the shares issued to Huntsman stockholders are sold to investors in Switzerland and elsewhere in Europe following the merger, or a perception among investors exists that such sales will occur, the trading price of HuntsmanClariant's shares on the NYSE may decrease as a result of such sales or the perception that such sales will occur. In the past, following periods of large price declines in the public market price of a company's securities, securities class action litigation has often been initiated against that company. Litigation of this type against HuntsmanClariant could result in substantial costs and diversion of management's attention and resources, which would adversely affect its business, results of operation and financial condition. Any adverse determination in litigation against HuntsmanClariant could also subject it to significant liabilities.

There can be no assurance that the expected benefits of the merger will occur or be fully or timely realized.

The success of the merger will depend, in part, on our and Clariant's ability to successfully integrate our respective businesses. If we and Clariant are not able to successfully combine each respective businesses in an efficient and



effective manner, the anticipated benefits, synergies, operational efficiencies and cost savings may not be realized fully or at all, or may take longer to realize than expected, and the share price, revenues, levels of expenses and results of operations of HuntsmanClariant may be adversely affected.

The combination of two independent businesses is a complex, costly and time consuming process, and the management of HuntsmanClariant may face significant challenges in implementing such integration, including, without limitation:

80

---

Table of Contents

- diversion of management's attention from ongoing business matters as a result of the devotion of management's attention to the integration process;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects;
- challenges of managing a larger combined company following the merger, and addressing differences in business culture and retaining key personnel;
- conforming standards, controls, procedures and accounting and other policies and compensation structures;
- challenges in keeping existing clients and obtaining new clients; and
- challenges in integrating and coordinating geographically separate organizations.

Many of these factors will be outside of the control of Huntsman, Clariant or the combined company and any one of them could result in increased costs and decreases in the amount of expected cost savings, synergies or revenues which could materially impact HuntsmanClariant's business, financial conditions and results of operations. In addition, the actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. Actual growth and cost savings, if achieved, may be lower and may take longer to achieve than currently anticipated. Difficulties in the integration process and other disruptions resulting from the merger could adversely affect HuntsmanClariant's relationships with employees, clients, distributors and other persons with whom Huntsman or Clariant has a business relationship.

Our stockholders cannot be sure of the value of the consideration they will receive in the merger. Our stockholders will receive shares of HuntsmanClariant as a result of the merger, which have rights different from shares of our common stock.

Our stockholders cannot be sure of the precise value of the consideration they will receive in the merger because the market price of Clariant's shares and shares of our common stock will fluctuate prior to the consummation of the merger. In addition, the number of HuntsmanClariant shares our stockholders will receive in the merger is fixed under the Merger Agreement and will not be adjusted at closing of the merger as a result of increases or decreases in the trading price of our common stock or Clariant shares or currency exchange rates following the announcement of the merger. As a result, Huntsman could deliver greater value to the Clariant shareholders than had been anticipated by Huntsman should the value of the shares of our common stock increase relative to the value of Clariant shares from the date of the execution of the Merger Agreement. Stock price changes may result from a variety of factors, including general business, market, industry, political and economic conditions, changes in currency exchange rates between the U.S. dollar and Swiss franc, changes in the respective businesses, operations and prospects of us and an evolving regulatory landscape, governmental actions and legal proceedings. Market assessments of the benefits of the merger and the likelihood that the merger will be consummated may also impact market prices of our common stock and Clariant's shares. Many of these factors are beyond our and Clariant's control.

Upon completion of the merger, the rights of our stockholders will be governed by the amended and restated articles of association of HuntsmanClariant. The rights associated with shares of our common stock are different from the rights that will be associated with HuntsmanClariant's shares. In addition, the laws of Switzerland differ from the laws in effect in the U.S. and may afford less protection to holders of shares in HuntsmanClariant. Finally, our stockholders will have a reduced ownership and voting interest in HuntsmanClariant and may exercise less influence over management of HuntsmanClariant than our stockholders exercised over Huntsman. See "Our stockholders in the aggregate will not have a majority ownership and voting interest in HuntsmanClariant immediately after completion of the pending merger, and will be subject to risks related to HuntsmanClariant's share price after becoming shareholders of HuntsmanClariant.

The Merger Agreement contains provisions that restrict our ability to pursue alternatives to the merger, potentially require us to pay Clariant a termination fee in specified circumstances and impose certain contractual restrictions.

Under the Merger Agreement, we are restricted, subject to certain exceptions, from soliciting, initiating, knowingly encouraging or facilitating any inquiry, proposal or offer, or participating in or engaging in any negotiations or discussions regarding, or furnishing any nonpublic information relating to Huntsman that constitutes or would reasonably be expected to lead to an alternative transaction proposal from any person or entity.

If the merger is not completed, our stock price could fall to the extent that our current price reflects an assumption that the merger will be completed. Furthermore, if the merger is not completed, we may suffer other consequences that could adversely affect our business, results of operations and stock price, including the following:

81

---

Table of Contents

- we could be required to pay a termination fee of \$210 million in cash to Clariant if our Board of Directors changes its recommendation with respect to the proposed merger in order to accept a superior proposal, enters into a definitive agreement with respect to such superior proposal and terminates the Merger Agreement (as further described in the Merger Agreement);
- we could be required to pay a termination fee of \$210 million in cash to Clariant if Clariant terminates the Merger Agreement in the event (i) our Board of Directors withdraws or makes an adverse change in recommendation or fails to reaffirm its recommendation or reject an alternative proposal or (ii) Huntsman breaches in any material respect its non-solicitation or stockholder meeting covenants (as further described in the Merger Agreement);
- we could be required to pay a termination fee of \$210 million in cash if Clariant under certain circumstances or Huntsman or Clariant terminates the Merger Agreement under certain other circumstances and Huntsman consummates or enters into an agreement with respect to a competing proposal within 18 months of such termination and such transaction is ultimately consummated (as further described in the Merger Agreement);
- we could be required to pay a termination fee of \$60 million in cash to Clariant if we are unable to obtain the necessary stockholder approval for the proposed merger at our stockholder meeting (as further described in the Merger Agreement);
- we would have incurred significant costs in connection with the merger that we likely will be unable to recover in full, including transaction, professional services, employee-related and other costs;
- we may be subject to legal proceedings related to the merger;
- the failure of the merger to be consummated may result in negative publicity and a negative impression of Huntsman in the investment community;
  - disruptions to our business resulting from the announcement and pendency of the acquisition, including any adverse changes in our relationships with our customers, business partners and employees, may continue or intensify in the event the merger is not consummated;
- we may not be able to take advantage of alternative business opportunities or effectively respond to competitive pressures; and
- we may experience an increase in employee departures.

In addition, the Merger Agreement restricts us, without the consent of Clariant, subject to certain exceptions and thresholds, from making certain acquisitions and divestitures, entering into certain contracts, entering into new lines of business or material business relationships, incurring or repaying certain indebtedness or incurring certain expenditures, repurchasing securities, issuing securities outside of existing equity award programs, increasing employee compensation and benefits, entering into any employment, severance, change in control or retention agreement with any director, officer, employee or independent contractor, and taking other specified actions until the earlier of the completion of the merger or the termination of the Merger Agreement.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table provides information with respect to shares of our common stock that we repurchased as part of our share repurchase program and shares of restricted stock granted under our 2016 Stock Incentive Plan and our Prior Plan that we withheld upon vesting to satisfy our tax withholding obligations during the six months ended June 30, 2017.

Maximum number (or

Edgar Filing: Huntsman CORP - Form 10-Q

|       | Total number<br>of shares<br>purchased | Average<br>price paid<br>per share | Total number of<br>shares purchased<br>as part of publicly<br>announced plans<br>or programs(1) | approximate dollar<br>value) of shares that<br>may yet be purchased<br>under the plans or<br>programs(1) |
|-------|--|------------------------------------|---|--|
| April | 311                                    | \$ 23.67                           | —   | \$ 50,000,000  |
| May   | —                                      | —                                  | —   | 50,000,000   |
| June  | —                                      | —                                  | —   | 50,000,000   |
| Total | 311                                    | \$ 23.67                           | —   |  |

---

Table of Contents

- (1) On September 29, 2015, our Board of Directors authorized our Company to repurchase up to \$150 million in shares of our common stock. No shares were repurchased under our publicly announced stock repurchase program during the three months ended June 30, 2017.

ITEM 6. EXHIBITS

See the Exhibit Index at the end of this Quarterly Report on Form 10-Q for exhibits filed with this report.

83

---

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

Dated: July 27, 2017 HUNTSMAN CORPORATION  
HUNTSMAN INTERNATIONAL LLC

By: /s/ SEAN DOUGLAS  
Sean Douglas  
Executive Vice President and Chief Financial Officer  
and Manager (Principal Financial Officer)

By: /s/ RANDY W. WRIGHT  
Randy W. Wright  
Vice President and Controller (Authorized Signatory and  
Principal Accounting Officer)

Table of Contents

## EXHIBIT INDEX

| Exhibit Number | Exhibit Description  | Incorporated by Reference |         | Filing Date    |
|----------------|--|---------------------------|---------|----------------|
|                |  | Form                      | Exhibit |                |
| 2.1            | <u>Agreement and Plan of Merger, dated as of May 21, 2017, by and among Clariant Ltd., HurricaneCyclone Corporation and Huntsman Corporation</u>   | 8-K                       | 2.1     | May 23, 2017   |
| 4.1            | <u>Indenture, dated as of July 14, 2017, by and among Venator Finance S.à r.l., Venator Materials LLC and Wilmington Trust, National Association, as trustee</u>   | 8-K                       | 4.1     | July 18, 2017  |
| 4.2            | <u>Form of 5.75% Senior Note (included as Exhibit A to Exhibit 4.1)</u>  | 8-K                       | 4.2     | July 18, 2017  |
| 10.1           | <u>Amended and Restated European Receivables Loan Agreement dated as of April 21, 2017 between Huntsman Receivables Finance LLC, Vantico Group S.à r.l., the several entities party thereto as lenders, the several financial institutions party thereto as funding agents, Barclays Bank Plc, as administrative agent, and Barclays Bank Plc, as collateral agent</u> | 10-Q                      | 10.1    | April 26, 2017 |
| 10.2           | <u>Master Amendment No. 6 to the U.S. Receivables Loan Agreement, U.S. Servicing Agreement, U.S Receivables Purchase Agreement and Transaction Documents dated as of April 21, 2017</u>  | 10-Q                      | 10.2    | April 26, 2017 |
| 10.3           | <u>Seventeenth Amendment to Credit Agreement, dated as of June 15, 2017, among Huntsman International LLC, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as administrative agent</u>   | 8-K                       | 10.1    | June 19, 2017  |
| 31.1           | * <u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002</u>  |                           |         |                |
| 31.2           | * <u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002</u>  |                           |         |                |
| 32.1           | * <u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002</u>  |                           |         |                |
| 32.2           | * <u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002</u>  |                           |         |                |
| 101.INS        | * XBRL Instance Document   |                           |         |                |
| 101.SCH        | * XBRL Taxonomy Extension Schema   |                           |         |                |
| 101.CAL        | * XBRL Taxonomy Extension Calculation Linkbase   |                           |         |                |
| 101.LAB        | * XBRL Taxonomy Extension Label Linkbase   |                           |         |                |
| 101.PRE        | * XBRL Taxonomy Extension Presentation Linkbase  |                           |         |                |
| 101.DEF        | * XBRL Taxonomy Extension Definition Linkbase  |                           |         |                |

\* Filed herewith.



