Huntsman CORP
Form 10-Q
April 30, 2015

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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# Form 10-Q

**(Mark One)**

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

**For the quarterly period ended March 31, 2015**

**OR**

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

**For the transition period from to**

| Commission File Number | Exact Name of Registrant as Specified in its Charter, Principal Office Address and Telephone Number | State of Incorporation or Organization | I.R.S. Employer Identification No. |
|---|---|---|---|
| 001-32427 | Huntsman Corporation<br>500 Huntsman Way<br>Salt Lake City, Utah 84108<br>(801) 584-5700 | Delaware | 42-1648585 |
| 333-85141 | Huntsman International LLC<br>500 Huntsman Way<br>Salt Lake City, Utah 84108<br>(801) 584-5700 | 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 ý | NO o |
| Huntsman International LLC | YES ý | NO o |

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See 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 ý | Accelerated filer o | Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |
| Huntsman International LLC | Large accelerated filer o | Accelerated filer o | Non-accelerated filer ý (Do not check if a smaller reporting company) | Smaller reporting company o |

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

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

On April 22, 2015, 245,381,582 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.

**HUNTSMAN CORPORATION AND SUBSIDIARIES**
**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**
**QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD**
**ENDED MARCH 31, 2015**

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

### HUNTSMAN CORPORATION AND SUBSIDIARIES

### CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

### (In Millions, Except Share and Per Share Amounts)

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents(a) | $ 994 | $ 860 |
| Restricted cash(a) | 9 | 10 |
| Accounts and notes receivable (net of allowance for doubtful accounts of $32 and $34, respectively), ($454 and $472 pledged as collateral, respectively)(a) | 1,633 | 1,665 |
| Accounts receivable from affiliates | 35 | 42 |
| Inventories(a) | 1,869 | 2,025 |
| Prepaid expenses | 58 | 62 |
| Deferred income taxes | 58 | 62 |
| Other current assets(a) | 231 | 313 |
| **Total current assets** | 4,887 | 5,039 |
| Property, plant and equipment, net(a) | 4,250 | 4,423 |
| Investment in unconsolidated affiliates | 350 | 350 |
| Intangible assets, net(a) | 94 | 95 |
| Goodwill | 119 | 122 |
| Deferred income taxes | 410 | 435 |
| Other noncurrent assets(a) | 641 | 538 |
| **Total assets** | $ 10,751 | $ 11,002 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities:** | | |
| Accounts payable(a) | $ 1,162 | $ 1,218 |
| Accounts payable to affiliates | 29 | 57 |
| Accrued liabilities(a) | 705 | 739 |
| Deferred income taxes | 49 | 51 |
| Current portion of debt(a) | 529 | 267 |
| **Total current liabilities** | 2,474 | 2,332 |
| Long-term debt(a) | 4,829 | 4,933 |
| Notes payable to affiliates | 6 | 6 |
| Deferred income taxes | 327 | 333 |
| Other noncurrent liabilities(a) | 1,342 | 1,447 |
| **Total liabilities** | 8,978 | 9,051 |
| **Commitments and contingencies (Notes 13 and 14)** | | |
| **Equity** | | |
| **Huntsman Corporation stockholders' equity:** | | |
| Common stock $0.01 par value, 1,200,000,000 shares authorized, 249,425,108 and 248,893,036 issued and 244,126,924 and 243,416,979 outstanding in 2015 and 2014, respectively | 3 | 3 |
| Additional paid-in capital | 3,414 | 3,385 |

| | | |
|---|---|---|
| Treasury stock, 4,043,526 shares at both March 31, 2015 and December 31, 2014 | (50) | (50) |
| Unearned stock-based compensation | (28) | (14) |
| Accumulated deficit | (526) | (493) |
| Accumulated other comprehensive loss | (1,216) | (1,053) |
| **Total Huntsman Corporation stockholders' equity** | 1,597 | 1,778 |
| Noncontrolling interests in subsidiaries | 176 | 173 |
| **Total equity** | 1,773 | 1,951 |
| **Total liabilities and equity** | $ 10,751 | $ 11,002 |

(a) At March 31, 2015 and December 31, 2014, respectively, $54 and $46 of cash and cash equivalents, $9 and $10 of restricted cash, $41 each of accounts and notes receivable (net), $41 and $68 of inventories, $5 and $6 of other current assets, $326 and $339 of property, plant and equipment (net), $38 and $40 of intangible assets (net), $27 each of other noncurrent assets, $88 and $92 of accounts payable, $33 and $37 of accrued liabilities, $168 and $172 of current portion of debt, $30 and $36 of long-term debt, and $95 and $97 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 (unaudited).

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

**(In Millions, Except Per Share Amounts)**

| | Three months ended March 31, | |
|---|---|---|
| | **2015** | **2014** |
| **Revenues:** | | |
| Trade sales, services and fees, net | $ 2,560 | $ 2,693 |
| Related party sales | 29 | 62 |
| **Total revenues** | 2,589 | 2,755 |
| **Cost of goods sold** | 2,139 | 2,305 |
| **Gross profit** | 450 | 450 |
| **Operating expenses:** | | |
| Selling, general and administrative | 246 | 229 |
| Research and development | 42 | 36 |
| Other operating income | (8) | (4) |
| Restructuring, impairment and plant closing costs | 93 | 39 |
| Total expenses | 373 | 300 |
| **Operating income** | 77 | 150 |
| Interest expense | (56) | (48) |
| Equity in income of investment in unconsolidated affiliates | 2 | 2 |
| Loss on early extinguishment of debt | (3) | |
| Other (loss) income | (1) | 1 |
| **Income from continuing operations before income taxes** | 19 | 105 |
| Income tax expense | (2) | (36) |
| **Income from continuing operations** | 17 | 69 |
| Loss from discontinued operations | (2) | (7) |
| **Net income** | 15 | 62 |
| Net income attributable to noncontrolling interests | (10) | (8) |
| **Net income attributable to Huntsman Corporation** | $ 5 | $ 54 |
| **Basic income (loss) per share:** | | |
| Income from continuing operations attributable to Huntsman Corporation common stockholders | $ 0.03 | $ 0.25 |
| Loss from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax | (0.01) | (0.03) |
| Net income attributable to Huntsman Corporation common stockholders | $ 0.02 | $ 0.22 |
| Weighted average shares | 243.9 | 240.9 |

| | | | | |
|---|---|---|---|---|
| **Diluted income (loss) per share:** | | | | |
| Income from continuing operations attributable to Huntsman Corporation common stockholders | $ | 0.03 | $ | 0.25 |
| Loss from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax | | (0.01) | | (0.03) |
| Net income attributable to Huntsman Corporation common stockholders | $ | 0.02 | $ | 0.22 |
| Weighted average shares | | 247.2 | | 244.5 |
| **Amounts attributable to Huntsman Corporation common stockholders:** | | | | |
| Income from continuing operations | $ | 7 | $ | 61 |
| Loss from discontinued operations, net of tax | | (2) | | (7) |
| Net income | $ | 5 | $ | 54 |
| **Dividends per share** | $ | 0.125 | $ | 0.125 |

See accompanying notes to condensed consolidated financial statements (unaudited).

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

**(UNAUDITED)**

**(In Millions)**

| | Three months ended March 31, 2015 | Three months ended March 31, 2014 |
|---|---|---|
| **Net income** | $ 15 | $ 62 |
| **Other comprehensive (loss) income, net of tax:** | | |
| Foreign currency translations adjustments, net of tax of $(27) and nil, respectively | (182) | (2) |
| Pension and other postretirement benefits adjustments, net of tax of $(4) and $(3), respectively | 13 | 9 |
| Other, net | (1) | |
| **Other comprehensive (loss) income, net of tax** | (170) | 7 |
| **Comprehensive (loss) income** | (155) | 69 |
| Comprehensive income attributable to noncontrolling interests | (3) | (12) |
| **Comprehensive (loss) income attributable to Huntsman Corporation** | $ (158) | $ 57 |

See accompanying notes to condensed consolidated financial statements (unaudited).

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)**

**(In Millions, Except Share Amounts)**

**Huntsman Corporation Stockholders' Equity**

| | Shares Common stock | Common stock | Additional paid-in capital | Treasury stock | Unearned stock-based compensation | Accumulated deficit | Accumulated other comprehensive loss | Noncontrolling interests in subsidiaries | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance, January 1, 2015 | 243,416,979 | $ 3 | $ 3,385 | $ (50) | $ (14) | $ (493) | $ (1,053) | $ 173 | $ 1,951 |
| Net income | | | | | | 5 | | 10 | 15 |
| Other comprehensive loss | | | | | | | (163) | (7) | (170) |
| Issuance of nonvested stock awards | | | 19 | | (19) | | | | |
| Vesting of stock awards | 1,000,585 | | 6 | | | | | | 6 |
| Recognition of stock-based compensation | | | 3 | | 5 | | | | 8 |
| Repurchase and cancellation of stock awards | (302,372) | | | | | (7) | | | (7) |
| Stock options exercised | 11,732 | | | | | | | | |
| Excess tax benefit related to stock-based compensation | | | 1 | | | | | | 1 |
| Dividends declared on common stock | | | | | | (31) | | | (31) |
| Balance, March 31, 2015 | 244,126,924 | $ 3 | $ 3,414 | $ (50) | $ (28) | $ (526) | $ (1,216) | $ 176 | $ 1,773 |
| | | | | | | | | | |
| Balance, January 1, 2014 | 240,401,442 | $ 2 | $ 3,305 | $ (50) | $ (13) | $ (687) | $ (577) | $ 149 | $ 2,129 |
| Net income | | | | | | 54 | | 8 | 62 |
| Other comprehensive income | | | | | | | 3 | 4 | 7 |
| Issuance of nonvested stock awards | | | 15 | | (15) | | | | |
| Vesting of stock awards | 997,196 | | 7 | | | | | | 7 |
| Recognition of stock-based compensation | | | 2 | | 5 | | | | 7 |
| Repurchase and cancellation of stock awards | (295,205) | | | | | (6) | | | (6) |
| Stock options exercised | 224,361 | | 4 | | | | | | 4 |
| Dividends paid to noncontrolling interests | | | | | | | | (4) | (4) |
| Excess tax benefit related to stock-based compensation | | | 1 | | | | | | 1 |
| Dividends declared on common stock | | | | | | (30) | | | (30) |
| Balance, March 31, 2014 | 241,327,794 | $ 2 | $ 3,334 | $ (50) | $ (23) | $ (669) | $ (574) | $ 157 | $ 2,177 |

See accompanying notes to condensed consolidated financial statements (unaudited).

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

**(In Millions)**

| | Three months ended March 31, | |
|---|---|---|
| | **2015** | **2014** |
| **Operating Activities:** | | |
| Net income | $ 15 | $ 62 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Equity in income of investment in unconsolidated affiliates | (2) | (2) |
| Depreciation and amortization | 95 | 123 |
| Loss on early extinguishment of debt | 3 | |
| Noncash interest expense | 4 | 1 |
| Noncash restructuring and impairment charges | 29 | 6 |
| Deferred income taxes | (33) | (23) |
| Noncash (gain) loss on foreign currency transactions | (6) | 3 |
| Stock-based compensation | 9 | 8 |
| Other, net | 1 | |
| Changes in operating assets and liabilities: | | |
| Accounts and notes receivable | (49) | (149) |
| Inventories | 54 | (172) |
| Prepaid expenses | 3 | 9 |
| Other current assets | 25 | (3) |
| Other noncurrent assets | (90) | (4) |
| Accounts payable | (2) | 107 |
| Accrued liabilities | (3) | (12) |
| Other noncurrent liabilities | (19) | (21) |
| **Net cash provided by (used in) operating activities** | 34 | (67) |
| **Investing Activities:** | | |
| Capital expenditures | (149) | (107) |
| Cash received from unconsolidated affiliates | 15 | 15 |
| Investment in unconsolidated affiliates | (13) | (11) |
| Cash received from termination of cross-currency interest rate contracts | 66 | |
| Other, net | | (1) |
| **Net cash used in investing activities** | (81) | (104) |

(Continued)

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)**

**(In Millions)**

| | Three months ended March 31, | |
|---|---|---|
| | **2015** | **2014** |
| **Financing Activities:** | | |
| Net borrowings under revolving loan facilities | $ | $ 2 |
| Net (repayments) borrowings on overdraft facilities | (2) | 4 |
| Repayments of short-term debt | (17) | (3) |
| Borrowings on short-term debt | | 1 |
| Repayments of long-term debt | (59) | (22) |
| Proceeds from issuance of long-term debt | 326 | |
| Repayments of notes payable | (9) | (10) |
| Borrowings on notes payable | | 1 |
| Debt issuance costs paid | (4) | (2) |
| Call premiums related to early extinguishment of debt | (3) | |
| Contingent consideration paid for acquisition | (4) | (6) |
| Dividends paid to common stockholders | (31) | (30) |
| Repurchase and cancellation of stock awards | (7) | (6) |
| Proceeds from issuance of common stock | | 4 |
| Excess tax benefit related to stock-based compensation | 1 | 1 |
| Other, net | (2) | (5) |
| **Net cash provided by (used in) financing activities** | 189 | (71) |
| Effect of exchange rate changes on cash | (8) | (1) |
| Increase (decrease) in cash and cash equivalents | 134 | (243) |
| Cash and cash equivalents at beginning of period | 860 | 520 |
| Cash and cash equivalents at end of period | $ 994 | $ 277 |

| | | |
|---|---|---|
| **Supplemental cash flow information:** | | |
| Cash paid for interest | $ 48 | $ 54 |
| Cash paid for income taxes | 11 | 46 |

During the three months ended March 31, 2015 and 2014, the amount of capital expenditures in accounts payable decreased by $26 million and $25 million, respectively. During the three months ended March 31, 2015 and 2014, we acquired assets under capital leases of nil and $10 million, respectively.

See accompanying notes to condensed consolidated financial statements (unaudited).

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**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

**(In Millions)**

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents(a) | $ 796 | $ 710 |
| Restricted cash(a) | 9 | 10 |
| Accounts and notes receivable (net of allowance for doubtful accounts of $32 and $34, respectively), ($454 and $472 pledged as collateral, respectively)(a) | 1,633 | 1,665 |
| Accounts receivable from affiliates | 347 | 346 |
| Inventories(a) | 1,869 | 2,025 |
| Prepaid expenses | 56 | 61 |
| Deferred income taxes | 58 | 62 |
| Other current assets(a) | 223 | 306 |
| **Total current assets** | 4,991 | 5,185 |
| Property, plant and equipment, net(a) | 4,205 | 4,375 |
| Investment in unconsolidated affiliates | 350 | 350 |
| Intangible assets, net(a) | 95 | 96 |
| Goodwill | 119 | 122 |
| Deferred income taxes | 410 | 435 |
| Other noncurrent assets(a) | 641 | 538 |
| **Total assets** | $ 10,811 | $ 11,101 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities:** | | |
| Accounts payable(a) | $ 1,162 | $ 1,218 |
| Accounts payable to affiliates | 47 | 74 |
| Accrued liabilities(a) | 702 | 736 |
| Deferred income taxes | 50 | 52 |
| Note payable to affiliate | 100 | 100 |
| Current portion of debt(a) | 529 | 267 |
| **Total current liabilities** | 2,590 | 2,447 |
| Long-term debt(a) | 4,829 | 4,933 |
| Notes payable to affiliates | 606 | 656 |
| Deferred income taxes | 320 | 326 |
| Other noncurrent liabilities(a) | 1,345 | 1,443 |
| **Total liabilities** | 9,690 | 9,805 |
| **Commitments and contingencies (Notes 13 and 14)** | | |
| **Equity** | | |
| **Huntsman International LLC members' equity:** | | |
| Members' equity, 2,728 units issued and outstanding | 3,175 | 3,166 |
| Accumulated deficit | (982) | (956) |
| Accumulated other comprehensive loss | (1,248) | (1,087) |
| **Total Huntsman International LLC members' equity** | 945 | 1,123 |
| Noncontrolling interests in subsidiaries | 176 | 173 |
| **Total equity** | 1,121 | 1,296 |

| | | |
|---|---|---|
| **Total liabilities and equity** | $ 10,811 | $ 11,101 |

(a) At March 31, 2015 and December 31, 2014, respectively, $54 and $46 of cash and cash equivalents, $9 and $10 of restricted cash, $41 each of accounts and notes receivable (net), $41 and $68 of inventories, $5 and $6 of other current assets, $326 and $339 of property, plant and equipment (net), $38 and $40 of intangible assets (net), $27 each of other noncurrent assets, $88 and $92 of accounts payable, $33 and $37 of accrued liabilities, $168 and $172 of current portion of debt, $30 and $36 of long-term debt, and $95 and $97 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 (unaudited).

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**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

**(In Millions)**

| | Three months ended March 31, 2015 | Three months ended March 31, 2014 |
|---|---|---|
| **Revenues:** | | |
| Trade sales, services and fees, net | $ 2,560 | $ 2,693 |
| Related party sales | 29 | 62 |
| **Total revenues** | 2,589 | 2,755 |
| **Cost of goods sold** | 2,137 | 2,300 |
| **Gross profit** | 452 | 455 |
| **Operating expenses:** | | |
| Selling, general and administrative | 244 | 227 |
| Research and development | 42 | 36 |
| Other operating income | (7) | (4) |
| Restructuring, impairment and plant closing costs | 93 | 39 |
| Total expenses | 372 | 298 |
| **Operating income** | 80 | 157 |
| Interest expense | (58) | (51) |
| Equity in income of investment in unconsolidated affiliates | 2 | 2 |
| Loss on early extinguishment of debt | (3) | |
| Other (loss) income | (1) | 1 |
| **Income from continuing operations before income taxes** | 20 | 109 |
| Income tax expense | (3) | (37) |
| **Income from continuing operations** | 17 | 72 |
| Loss from discontinued operations, net of tax | (2) | (7) |
| **Net income** | 15 | 65 |
| Net income attributable to noncontrolling interests | (10) | (8) |
| **Net income attributable to Huntsman International LLC** | $ 5 | $ 57 |

See accompanying notes to condensed consolidated financial statements (unaudited).

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**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

**(UNAUDITED)**

**(In Millions)**

| | Three months ended March 31, | |
|---|---|---|
| | **2015** | **2014** |
| **Net income** | $ 15 | $ 65 |
| **Other comprehensive (loss) income, net of tax:** | | |
| Foreign currency translations adjustments, net of tax of $(27) and nil, respectively | (182) | (3) |
| Pension and other postretirement benefits adjustments, net of tax of $(4) each | 15 | 10 |
| Other, net | (1) | 1 |
| **Other comprehensive (loss) income, net of tax** | (168) | 8 |
| **Comprehensive (loss) income** | (153) | 73 |
| Comprehensive income attributable to noncontrolling interests | (3) | (12) |
| **Comprehensive (loss) income attributable to Huntsman International LLC** | $ (156) | $ 61 |

See accompanying notes to condensed consolidated financial statements (unaudited).

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**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)**

**(In Millions, Except Unit Amounts)**

| | Huntsman International LLC Members | | | | | | |
|---|---|---|---|---|---|---|---|
| | Members' equity | | | | | | |
| | Units | Amount | Accumulated deficit | Accumulated other comprehensive loss | Noncontrolling interests in subsidiaries | Total equity |
| Balance, January 1, 2015 | 2,728 | $ 3,166 | $ (956) | $ (1,087) | $ 173 | $ 1,296 |
| Net income | | | 5 | | 10 | 15 |
| Dividends paid to parent | | | (31) | | | (31) |
| Other comprehensive loss | | | | (161) | (7) | (168) |
| Contribution from parent | | 8 | | | | 8 |
| Excess tax benefit related to stock-based compensation | | 1 | | | | 1 |
| Balance, March 31, 2015 | 2,728 | $ 3,175 | $ (982) | $ (1,248) | $ 176 | $ 1,121 |
| | | | | | | |
| Balance, January 1, 2014 | 2,728 | $ 3,138 | $ (1,194) | $ (618) | $ 149 | $ 1,475 |
| Net income | | | 57 | | 8 | 65 |
| Dividends paid to parent | | | (30) | | | (30) |
| Other comprehensive income | | | | 4 | 4 | 8 |
| Contribution from parent | | 7 | | | | 7 |
| Dividends paid to noncontrolling interests | | | | | (4) | (4) |
| Excess tax benefit related to stock-based compensation | | 1 | | | | 1 |
| Balance, March 31, 2014 | 2,728 | $ 3,146 | $ (1,167) | $ (614) | $ 157 | $ 1,522 |

See accompanying notes to condensed consolidated financial statements (unaudited).

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**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

**(In Millions)**

| | Three months ended March 31, | |
|---|---|---|
| | **2015** | **2014** |
| **Operating Activities:** | | |
| Net income | $ 15 | $ 65 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Equity in income of investment in unconsolidated affiliates | (2) | (2) |
| Depreciation and amortization | 92 | 116 |
| Loss on early extinguishment of debt | 3 | |
| Noncash interest expense | 6 | 3 |
| Noncash restructuring and impairment charges | 29 | 6 |
| Deferred income taxes | (33) | (21) |
| Noncash (gain) loss on foreign currency transactions | (6) | 3 |
| Noncash compensation | 8 | 7 |
| Other, net | 3 | 1 |
| Changes in operating assets and liabilities: | | |
| Accounts and notes receivable | (49) | (149) |
| Inventories | 54 | (172) |
| Prepaid expenses | 4 | 11 |
| Other current assets | 25 | (3) |
| Other noncurrent assets | (90) | (4) |
| Accounts payable | (4) | 105 |
| Accrued liabilities | (3) | (14) |
| Other noncurrent liabilities | (17) | (19) |
| **Net cash provided by (used in) operating activities** | 35 | (67) |
| **Investing Activities:** | | |
| Capital expenditures | (149) | (107) |
| Cash received from unconsolidated affiliates | 15 | 15 |
| Investment in unconsolidated affiliates | (13) | (11) |
| Increase in receivable from affiliate | (6) | (5) |
| Cash received from termination of cross-currency interest rate contracts | 66 | |
| Other, net | | (1) |
| **Net cash used in investing activities** | (87) | (109) |

(Continued)

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**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)**

**(In Millions)**

| | Three months ended March 31, | |
|---|---|---|
| | **2015** | **2014** |
| **Financing Activities:** | | |
| Net borrowings under revolving loan facilities | $ | $ 2 |
| Net (repayments) borrowings on overdraft facilities | (2) | 4 |
| Repayments of short-term debt | (17) | (3) |
| Borrowings on short-term debt | | 1 |
| Repayments of long-term debt | (59) | (22) |
| Proceeds from issuance of long-term debt | 326 | |
| Repayments of notes payable to affiliate | (50) | (65) |
| Repayments of notes payable | (9) | (10) |
| Borrowings on notes payable | | 1 |
| Debt issuance costs paid | (4) | (2) |
| Call premiums related to early extinguishment of debt | (3) | |
| Contingent consideration paid for acquisition | (4) | (6) |
| Dividends paid to parent | (31) | (30) |
| Excess tax benefit related to stock-based compensation | 1 | 1 |
| Other, net | (2) | (4) |
| **Net cash provided by (used in) financing activities** | 146 | (133) |
| Effect of exchange rate changes on cash | (8) | (1) |
| Increase (decrease) in cash and cash equivalents | 86 | (310) |
| Cash and cash equivalents at beginning of period | 710 | 515 |
| Cash and cash equivalents at end of period | $ 796 | $ 205 |

| | | |
|---|---|---|
| **Supplemental cash flow information:** | | |
| Cash paid for interest | $ 48 | $ 54 |
| Cash paid for income taxes | 11 | 46 |

During the three months ended March 31, 2015 and 2014, the amount of capital expenditures in accounts payable decreased by $26 million and $25 million, respectively. During the three months ended March 31, 2015 and 2014, Huntsman Corporation contributed $8 million and $7 million, respectively, related to stock-based compensation. During the three months ended March 31, 2015 and 2014, we acquired assets under capital leases of nil and $10 million, respectively.

See accompanying notes to condensed consolidated financial statements (unaudited).

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## 1. GENERAL

### CERTAIN DEFINITIONS

For convenience in this report, the terms "Company," "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 100% owned subsidiary) and, unless the context otherwise requires, its subsidiaries.

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 interim condensed consolidated financial statements (unaudited) and Huntsman International's interim condensed consolidated financial statements (unaudited) 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 condensed consolidated financial statements (unaudited) 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, 2014 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, 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.

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 shutdown 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.

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**1. GENERAL (Continued)**

Since then, we have grown through a series of acquisitions and now own a global portfolio of businesses.

Currently, we operate all of our businesses through Huntsman International, our 100% 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 (unaudited) 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 (unaudited) 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.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with 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.

**RECENT DEVELOPMENTS**

**Debt Issuance**

On March 31, 2015, Huntsman International completed a €300 million (approximately $326 million) offering of 4.25% senior notes due April 1, 2025 ("2025 Senior Notes"). On April 17, 2015, Huntsman International used the net proceeds of this offering to redeem $289 million ($294 carrying value) of our 8.625% senior subordinated notes due 2021 ("2021 Senior Subordinated Notes"). For more information, see "Note 7. Debt Direct and Subsidiary Debt Redemption of Notes and Loss on Early Extinguishment of Debt." In connection with this redemption, Huntsman International incurred a $20 million loss on early extinguishment of debt in the second quarter of 2015. As of March 31, 2015, $294 million was classified as current portion of debt on our condensed consolidated balance sheets (unaudited).

**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**1. GENERAL (Continued)**

**Pigments and Additives Restructurings**

On February 12, 2015, we announced a plan to close the 'black end' manufacturing operations and ancillary activities at our Calais, France site, which will reduce our titanium dioxide capacity by approximately 100 kilotons, or 13% of our European titanium dioxide capacity. The 'black end' is responsible for the start of the titanium dioxide manufacturing process. The 'white end' is used to finish and pack titanium dioxide and will remain operational employing up to 100 people on the site. In connection with this announcement, we began to accelerate depreciation on the affected assets and recorded incremental accelerated depreciation in the first quarter of 2015 of $28 million as restructuring, impairment and plant closing costs on our condensed consolidated statements of operations (unaudited). For more information, see "Note 6. Restructuring, Impairment and Plant Closing Costs."

On March 4, 2015, we announced plans to restructure our color pigments business, another step in our previously announced plan to significantly restructure our global Pigments and Additives segment. For more information, see "Note 6. Restructuring, Impairment and Plant Closing Costs."

**2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

**Accounting Pronouncements Adopted During 2015**

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, changing the criteria for reporting discontinued operations and enhancing reporting requirements for discontinued operations. A disposal of a component of an entity or a group of components of an entity will be required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. Further, the amendments in this ASU will require an entity to present, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation separately in the asset and liability sections, respectively, of the statement of financial position. The amendments in this ASU are effective prospectively for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years, and for all businesses that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. We adopted the amendments in this ASU effective January 1, 2015, and the initial adoption of the amendments in this ASU did not have any impact on our condensed consolidated financial statements (unaudited).

**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. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016,

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (Continued)**

including interim periods within that reporting period. The amendments in this ASU should be applied retrospectively, and early application is not permitted. We are currently evaluating the impact of the adoption of the amendments in this ASU on our condensed consolidated financial statements (unaudited).

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern,* providing guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The amendments in this ASU are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements (unaudited).

In January 2015, the FASB issued ASU No. 2015-01, *Income Statement Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*, eliminating from US GAAP the concept of extraordinary items. Reporting entities will no longer have to assess whether a particular event or transaction event is extraordinary. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively or may also apply them retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year 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 (unaudited).

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. The amendments in this ASU change the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities by placing more emphasis on risk of loss when determining a controlling financial interest. These amendments affect areas specific to limited partnerships and similar legal entities, evaluating fees paid to a decision maker or service provider as a variable interest, the effects of both fee arrangements and related parties on the primary beneficiary determination and certain investment funds. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments retrospectively or using a modified retrospective approach. Early adoption is permitted, including adoption in an interim period provided that any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements (unaudited).

In April 2015, the FASB issued ASU No. 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, and that amortization of debt issuance costs shall be reported as interest expense. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The

**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (Continued)**

amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early application permitted. Entities would apply the new guidance retrospectively to all prior periods. We do not expect the adoption of the amendment in this ASU to have a significant impact on our condensed consolidated financial statements (unaudited).

In April 2015, the FASB issued ASU No. 2015-05, *Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. The amendments in this ASU provide guidance that will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement, including whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license consistent with the acquisition of other software licenses; otherwise, the customer should account for the arrangement as a service contract. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Entities can elect to adopt the amendments either prospectively to all arrangements entered into after the effective date or retrospectively to all prior periods. We do not expect the adoption of the amendment in this ASU to have a significant impact on our condensed consolidated financial statements (unaudited).

**3. BUSINESS COMBINATIONS**

**ROCKWOOD ACQUISITION**

On October 1, 2014, we completed the acquisition of the Performance Additives and Titanium Dioxide businesses (the "Rockwood Acquisition") of Rockwood Holdings, Inc. ("Rockwood"). We paid $1.04 billion in cash, subject to certain purchase price adjustments, and assumed certain unfunded pension liabilities in connection with the Rockwood Acquisition. The acquisition was financed using a bank term loan. The majority of the acquired businesses have been integrated into our Pigments and Additives segment. Transaction costs charged to expense related to this acquisition were nil and $5 million for the three months ended March 31, 2015 and 2014, respectively, and were recorded in selling, general and administrative expenses in our condensed consolidated statements of operations (unaudited).

The following businesses were acquired from Rockwood:

- titanium dioxide, a white pigment derived from titanium bearing ores with strong specialty business in fibers, inks, pharmaceuticals, food and cosmetics;

- functional additives made from barium and zinc based inorganics used to make colors more brilliant, primarily in plastics, coatings, films, food, cosmetics, pharmaceuticals and paper;

- color pigments made from synthetic iron-oxide and other non-titanium dioxide inorganic pigments used by manufacturers of coatings and colorants;

- timber treatment wood protection chemicals used primarily in residential and commercial applications;

**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**3. BUSINESS COMBINATIONS (Continued)**

- water treatment products used to improve water purity in industrial, commercial and municipal applications; and
- specialty automotive molded components.

In connection with securing certain regulatory approvals required to complete the Rockwood Acquisition, we sold our TiO2 TR52 product line used in printing inks to Henan Billions Chemicals Co., Ltd. ("Henan") in December 2014. The sale did not include any manufacturing assets but does include an agreement to supply TR52 product to Henan during a transitional period.

We have accounted for the Rockwood Acquisition using the acquisition method. As such, we analyzed the fair value of tangible and intangible assets acquired and liabilities assumed. The preliminary allocation of acquisition cost to the assets acquired and liabilities assumed is summarized as follows (dollars in millions):

| | |
|---|---|
| Cash paid for Rockwood Acquisition | $ 1,038 |
| Expected purchase price adjustment receivable | (25) |
| Expected net acquisition cost | $ 1,013 |

| | |
|---|---|
| Fair value of assets acquired and liabilities assumed: | |
| Cash | $ 78 |
| Accounts receivable, net | 220 |
| Inventories | 400 |
| Prepaid expenses and other current assets | 46 |
| Property, plant and equipment | 591 |
| Intangible assets | 33 |
| Deferred income taxes, non-current | 126 |
| Other assets | 9 |
| Accounts payable | (146) |
| Accrued expenses and other current liabilities | (80) |
| Long-term debt, non-current | (3) |
| Pension and related liabilities | (233) |
| Deferred income taxes, non-current | (10) |
| Other liabilities | (18) |
| Total fair value of net assets acquired | $ 1,013 |

The acquisition cost allocation is preliminary pending final determination of the fair value of assets acquired and liabilities assumed, including final valuation of property, plant and equipment, intangible assets, asset retirement obligations, and environmental and other legal reserves, and finalizing the expected purchase price adjustment receivable. None of the fair value of this acquisition was allocated to goodwill. It is possible that changes to this allocation could occur. If the Rockwood Acquisition were to have occurred on January 1, 2013, the following estimated pro forma revenues and net income

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**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**3. BUSINESS COMBINATIONS (Continued)**

attributable to Huntsman Corporation and Huntsman International would have been reported (dollars in millions, except per share amounts):

**Huntsman Corporation**

| | Pro Forma Three months ended March 31, 2014 (Unaudited) |
|---|---|
| Revenues | $ 3,133 |
| Net income attributable to Huntsman Corporation | 69 |
| Income per share: | |
| Basic | $ 0.29 |
| Diluted | 0.28 |

**Huntsman International**

| | Pro Forma Three months ended March 31, 2014 (Unaudited) |
|---|---|
| Revenues | $ 3,133 |
| Net income attributable to Huntsman International | 72 |

**4. INVENTORIES**

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

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| Raw materials and supplies | $ 458 | $ 508 |
| Work in progress | 98 | 96 |
| Finished goods | 1,371 | 1,494 |
| **Total** | 1,927 | 2,098 |
| LIFO reserves | (58) | (73) |
| **Net inventories** | $ 1,869 | $ 2,025 |

For both March 31, 2015 and December 31, 2014, approximately 9% of inventories were recorded using the LIFO cost method.

**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**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 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 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 the risk related to the fluctuation of raw material pricing.

Arabian Amines Company 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. Our joint venture interest in Viance was acquired as part of the Rockwood Acquisition. The joint venture sources all of its products 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. As a result, we concluded that we are the primary beneficiary and began consolidating Viance upon the Rockwood Acquisition on October 1, 2014.

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 March 31, 2015, the joint ventures' assets, liabilities and results of operations are included in our condensed consolidated financial statements (unaudited).

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**5. VARIABLE INTEREST ENTITIES (Continued)**

The following table summarizes the carrying amount of our variable interest entities' assets and liabilities included in our condensed consolidated balance sheets (unaudited), before intercompany eliminations, as of March 31, 2015 and December 31, 2014 (dollars in millions):

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| Current assets | $ 151 | $ 186 |
| Property, plant and equipment, net | 326 | 340 |
| Other noncurrent assets | 88 | 70 |
| Deferred income taxes | 50 | 50 |
| Intangible assets | 39 | 39 |
| Goodwill | 13 | 14 |
| Total assets | $ 667 | $ 699 |
| Current liabilities | $ 336 | $ 356 |
| Long-term debt | 37 | 42 |
| Deferred income taxes | 8 | 9 |
| Other noncurrent liabilities | 95 | 97 |
| Total liabilities | $ 476 | $ 504 |

For more information regarding the Rockwood Acquisition, see "Note 3. Business Combinations Rockwood Acquisition."

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**6. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS**

As of March 31, 2015 and December 31, 2014, accrued restructuring costs by type of cost and initiative consisted of the following (dollars in millions):

| | Workforce reductions(1) | Demolition and decommissioning | Non-cancelable lease and contract termination costs | Other restructuring costs | Total(2) |
|---|---|---|---|---|---|
| Accrued liabilities as of January 1, 2015 | $ 87 | $ | $ 48 | $ 3 | $ 138 |
| 2015 charges for 2014 and prior initiatives | 31 | 2 | | 9 | 42 |
| 2015 charges for 2015 initiatives | 24 | | | | 24 |
| Reversal of reserves no longer required | (1) | | | | (1) |
| 2015 payments for 2014 and prior initiatives | (16) | (2) | (1) | (8) | (27) |
| Foreign currency effect on liability balance | (8) | | 1 | | (7) |
| Accrued liabilities as of March 31, 2015 | $ 117 | $ | $ 48 | $ 4 | $ 169 |

(1) The workforce reduction reserves relate to the termination of 1,572 positions, of which 1,479 positions had not been terminated as of March 31, 2015.

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

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| 2013 and prior initiatives | $ 66 | $ 75 |
| 2014 initiatives | 79 | 63 |
| 2015 initiatives | 24 | |
| Total | $ 169 | $ 138 |

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**6. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS (Continued)**

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

| | Polyurethanes | Performance Products | Advanced Materials | Textile Effects | Pigments and Additives | Discontinued Operations | Corporate and Other | Total |
|---|---|---|---|---|---|---|---|---|
| Accrued liabilities as of January 1, 2015 | $ 6 | $ 9 | $ 5 | $ 54 | $ 59 | $ 1 | $ 4 | $ 138 |
| 2015 charges for 2014 and prior initiatives | 2 | 1 | | 3 | 34 | | 2 | 42 |
| 2015 charges for 2015 initiatives | | | | 1 | 23 | | | 24 |
| Reversal of reserves no longer required | | | | | | | (1) | (1) |
| 2015 payments for 2014 and prior initiatives | (3) | (3) | (1) | (4) | (13) | | (3) | (27) |
| Foreign currency effect on liability balance | (1) | (1) | | 1 | (6) | | | (7) |
| Accrued liabilities as of March 31, 2015 | $ 4 | $ 6 | $ 4 | $ 55 | $ 97 | $ 1 | $ 2 | $ 169 |
| Current portion of restructuring reserves | $ 1 | $ 6 | $ 2 | $ 11 | $ 97 | $ 1 | $ 2 | $ 120 |
| Long-term portion of restructuring reserves | 3 | | 2 | 44 | | | | 49 |

Details with respect to cash and noncash restructuring charges for the three months ended March 31, 2015 and 2014 by initiative are provided below (dollars in millions):

| | Three months ended March 31, 2015 |
|---|---|
| Cash charges: | |
| 2015 charges for 2014 and prior initiatives | $ 42 |
| 2015 charges for 2015 initiatives | 24 |
| Reversal of reserves no longer required | (1) |
| Accelerated depreciation | 28 |
| Total 2015 Restructuring, Impairment and Plant Closing Costs | $ 93 |

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**6. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS (Continued)**

| | Three months ended March 31, 2014 |
|---|---|
| Cash charges: | |
| 2014 charges for 2013 and prior initiatives | $ 41 |
| Pension related charges | 1 |
| Reversal of reserves no longer required | (4) |
| Non-cash charges | 1 |
| Total 2014 Restructuring, Impairment and Plant Closing Costs | $ 39 |

**2015 RESTRUCTURING ACTIVITIES**

On December 1, 2014, we announced that we are taking significant action to improve the global competitiveness of our Pigments and Additives segment. As part of a comprehensive restructuring program, we plan to reduce our workforce by approximately 900 positions. In connection with this restructuring program, we recorded restructuring expense of $34 million in the three months ended March 31, 2015 related primarily to workforce reductions. We expect to complete this program by the middle of 2016.

On February 12, 2015, we announced a plan to close the 'black end' manufacturing operations and ancillary activities at our Calais, France site, which will reduce our titanium dioxide capacity by approximately 100 kilotons, or 13% of our European titanium dioxide capacity. In connection with this announcement, we began to accelerate depreciation on the affected assets and recorded incremental accelerated depreciation in the three months ended March 31, 2015 of $28 million as restructuring, impairment and plant closing costs. In addition, we recorded restructuring expense of $22 million in the three months ended March 31, 2015 related primarily to workforce reductions. We expect to complete this program by the end of 2016.

On March 4, 2015, we announced plans to restructure our color pigments business, another step in our previously announced plan to significantly restructure our global Pigments and Additives segment, and recorded restructuring expense of approximately $1 million in the three months ended March 31, 2015 related to workforce reductions. We expect to complete this program by the end of 2015.

**2014 RESTRUCTURING ACTIVITIES**

During 2013, our Performance Products segment initiated a restructuring program to refocus our surfactants business in Europe. During the three months ended March 31, 2014, we recorded charges of $23 million primarily related to workforce reductions and a charge of $1 million for the impairment of long-lived assets relating to the announced agreement to purchase our Lavera, France manufacturing facility by Wilmar Europe Holdings B.V.

During the three months ended March 31, 2014, our Advanced Materials segment recorded charges of $7 million primarily related to workforce reductions related to our global transformational change program designed to improve the segment's manufacturing efficiencies, enhance commercial excellence and improve its long-term global competitiveness. Our Advanced Materials segment also reversed charges of $3 million related to this initiative.

**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**6. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS (Continued)**

On September 27, 2011, we announced plans to implement a significant restructuring of our Textile Effects segment, including the closure of our production facilities and business support offices in Basel, Switzerland, as part of an ongoing strategic program aimed at improving the Textile Effects segment's long-term global competitiveness. In connection with this plan, during the three months ended March 31, 2014, our Textile Effects segment recorded charges of $2 million for long-term contract termination costs and $2 million for decommissioning associated with this initiative. Additionally, we recorded charges of $2 million for long-term contract termination costs for other initiatives.

During the three months ended March 31, 2014, our Pigments and Additives segment recorded charges of $3 million primarily related to the workforce reductions at our Huelva, Spain facility.

**7. DEBT**

Outstanding debt consisted of the following (dollars in millions):

**Huntsman Corporation**

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| Senior Credit Facilities: | | |
| Term loans | $ 2,512 | $ 2,528 |
| Amounts outstanding under A/R programs | 214 | 229 |
| Senior notes | 1,862 | 1,596 |
| Senior subordinated notes | 493 | 531 |
| Variable interest entities | 198 | 207 |
| Other | 79 | 109 |
| Total debt excluding debt to affiliates | $ 5,358 | $ 5,200 |
| | | |
| Total current portion of debt | $ 529 | $ 267 |
| Long-term portion | 4,829 | 4,933 |
| Total debt excluding debt to affiliates | $ 5,358 | $ 5,200 |
| | | |
| Total debt excluding debt to affiliates | $ 5,358 | $ 5,200 |
| Notes payable to affiliates noncurrent | 6 | 6 |
| Total debt | $ 5,364 | $ 5,206 |

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**7. DEBT (Continued)**

**Huntsman International**

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| Senior Credit Facilities: | | |
| Term loans | $ 2,512 | $ 2,528 |
| Amounts outstanding under A/R programs | 214 | 229 |
| Senior notes | 1,862 | 1,596 |
| Senior subordinated notes | 493 | 531 |
| Variable interest entities | 198 | 207 |
| Other | 79 | 109 |
| Total debt excluding debt to affiliates | $ 5,358 | $ 5,200 |
| Total current portion of debt | $ 529 | $ 267 |
| Long-term portion | 4,829 | 4,933 |
| Total debt excluding debt to affiliates | $ 5,358 | $ 5,200 |
| Total debt excluding debt to affiliates | $ 5,358 | $ 5,200 |
| Notes payable to affiliates current | 100 | 100 |
| Notes payable to affiliates noncurrent | 606 | 656 |
| Total debt | $ 6,064 | $ 5,956 |

**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 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 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.

**Senior Credit Facilities**

As of March 31, 2015, our senior credit facilities ("Senior Credit Facilities") consisted of our revolving credit facility ("Revolving Facility"), our extended term loan B facility ("Extended Term Loan B"), our extended term loan B facility series 2 ("Extended Term Loan B Series 2"), our 2014

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**7. DEBT (Continued)**

new term loan facility ("2014 New Term Loan") and our term loan C facility ("Term Loan C") as follows (dollars in millions):

| Facility | Committed Amount | Principal Outstanding | Carrying Value | Interest Rate(3) | Maturity |
|---|---|---|---|---|---|
| Revolving Facility | $ 625 | $ (1) | $ (1) | USD LIBOR plus 2.50% | 2017 |
| Extended Term Loan B | NA | 943 | 942 | USD LIBOR plus 2.50% | 2017 |
| Extended Term Loan B Series 2 | NA | 335 | 335 | USD LIBOR plus 3.00% | 2017 |
| 2014 New Term Loan | NA | 1,197 | 1,186 | USD LIBOR plus 3.00%(2) | 2021 |
| Term Loan C | NA | 50 | 49 | USD LIBOR plus 2.25% | 2016 |

(1) We had no borrowings outstanding under our Revolving Facility; we had approximately $15 million (U.S. dollar equivalents) of letters of credit and bank guarantees issued and outstanding under our Revolving Facility.

(2) The 2014 New Term Loan is subject to a 0.75% LIBOR floor.

(3) The applicable interest rate of the Senior Credit Facilities is subject to certain secured leverage ratio thresholds. As of March 31, 2015, the weighted average interest rate on our outstanding balances under the Senior Credit Facilities was approximately 3.0%.

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.

**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

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**7. DEBT (Continued)**

by the U.S. SPE and the EU SPE. Information regarding our A/R Programs as of March 31, 2015 was as follows (monetary amounts in millions):

| Facility(5) | Maturity | Maximum Funding Availability(1) | Amount Outstanding | Interest Rate(2)(3) |
|---|---|---|---|---|
| U.S. A/R Program | March 2018 | $250 | $90(4) | Applicable rate plus 0.95% |
| EU A/R Program | March 2018 | €225 (approximately $245) | €114 (approximately $124) | Applicable rate plus 1.10% |

(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) Each interest rate is defined in the applicable agreements. 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) Applicable rate for our U.S. A/R Program is defined by the lender as either USD LIBOR or CP rate. Applicable rate for our EU A/R Program is either GBP LIBOR, USD LIBOR or EURIBOR.

(4) As of March 31, 2015, we had approximately $7 million (U.S. dollar equivalents) of letters of credit issued and outstanding under our U.S. A/R Program.

(5) During the three months ended March 31, 2015, we entered into amendments to our A/R Programs that, among other things, extend the scheduled commitment termination dates and reduce the applicable borrowing margins.

As of March 31, 2015 and December 31, 2014, $454 million and $472 million, respectively, of accounts receivable were pledged as collateral under our A/R Programs.

**Notes**

As of March 31, 2015, we had outstanding the following notes (monetary amounts in millions):

| Notes | Maturity | Interest Rate | Amount Outstanding |
|---|---|---|---|
| 2020 Senior Notes | November 2020 | 4.875% | $650 ($647 carrying value) |
| 2021 Senior Notes | April 2021 | 5.125% | €445 (€449 carrying value ($489)) |
| 2022 Senior Notes | November 2022 | 5.125% | $400 |
| 2025 Senior Notes | April 2025 | 4.25% | €300 ($326) |

| | | | |
|---|---|---|---|
| 2021 Senior Subordinated Notes | March 2021 | 8.625% | $484 ($493 carrying value) |

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**7. DEBT (Continued)**

On March 31, 2015, Huntsman International issued €300 million (approximately $326 million) aggregate principal amount of 2025 Senior Notes. Huntsman International applied the net proceeds of this offering to redeem $289 million of its 2021 Senior Subordinated Notes in April 2015.

The 2025 Senior Notes bear interest at 4.25% per year, payable semi-annually on April 1 and October 1, and are due on April 1, 2025. Huntsman International may redeem the 2025 Senior Notes in whole or in part at any time prior to January 1, 2025 at a price equal to 100% of the principal amount thereof plus a "make-whole" premium and accrued and unpaid interest.

The 2020, 2021, 2022 and 2025 Senior Notes are general unsecured senior obligations of Huntsman International and are guaranteed on a general unsecured senior basis by the Guarantors. The indentures impose certain limitations on the ability of Huntsman International and its subsidiaries to, among other things, incur additional indebtedness secured by any principal properties, incur indebtedness of nonguarantor 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. Upon the occurrence of certain change of control events, holders of the 2020, 2021, 2022 and 2025 Senior Notes will have the right to require that Huntsman International purchase all or a portion of such holder's notes in cash at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of repurchase.

**Redemption of Notes and Loss on Early Extinguishment of Debt**

During the three months ended March 31, 2015, we redeemed or repurchased the following notes (monetary amounts in millions):

| Date of Redemption | Notes | Principal Amount of Notes Redeemed | Amount Paid (Excluding Accrued Interest) | Loss on Early Extinguishment of Debt |
|---|---|---|---|---|
| January 2015 | 2021 Senior Subordinated Notes | $ 37 | $ 40 | $ 3 |

In connection with the redemption of our 2021 Senior Subordinated Notes in April 2015, Huntsman International incurred a $20 million loss on early extinguishment of debt in the second quarter of 2015. As of March 31, 2015, $294 million was classified as current portion of debt on our condensed consolidated balance sheets (unaudited).

**Variable Interest Entity Debt**

As of March 31, 2015, Arabian Amines Company had $156 million outstanding under its loan commitments and debt financing arrangements. Arabian Amines Company, our consolidated 50%-owned joint venture, is currently not in compliance with payment and other obligations under these loan commitments. We do not guarantee these loan commitments and Arabian Amines Company is not a guarantor of any of our other debt obligations, and the noncompliance with these financial covenants does not affect any of our other debt obligations. On April 29, 2015, Arabian Amines Company obtained a waiver of certain financial covenants from the lender. We are analyzing the impact of this waiver on the balance sheet classification of these loan commitments. As of March 31, 2015, the amounts outstanding under these loan commitments were classified as current on our condensed consolidated balance sheets (unaudited).

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**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**7. DEBT (Continued)**

**Note Payable from Huntsman International to Huntsman Corporation**

As of March 31, 2015, we have a loan of $700 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 March 31, 2015 on our condensed consolidated balance sheets (unaudited). As of March 31, 2015, 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).

**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 U.S. A/R program and our EU A/R Program and our notes. However, Arabian Amines Company, our consolidated 50%-owned joint venture, is currently not in compliance with certain financial covenants contained under its loan commitments. See " Variable Interest Entity Debt" above.

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.

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**7. DEBT (Continued)**

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 in 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 in accumulated other comprehensive loss.

Our cash flows and earnings are subject to fluctuations due to exchange rate variation. Our revenues and expenses are denominated in various foreign currencies. 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 March 31, 2015, we had approximately $245 million in notional amount (in U.S. dollar equivalents) outstanding in forward foreign currency contracts.

Huntsman International has 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

**HUNTSMAN CORPORATION AND SUBSIDIARIES**

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)**

Facilities. These swaps are designated as cash flow hedges and the effective portion of the changes in the fair value of the swaps are recorded in other comprehensive (loss) income (dollars in millions):

| March 31, 2015 | | | | |
|---|---|---|---|---|
| **Notional Value** | **Effective Date** | **Maturity** | **Fixed Rate** | **Fair Value** |
| $ 50 | December 2014 | April 2017 | 2.5% | $2 noncurrent liability |
| 50 | January 2015 | April 2017 | 2.5% | 2 noncurrent liability |

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 March 31, 2015 was $26 million, and the interest rate contract is not designated as a cash flow hedge. As of March 31, 2015, the fair value of the swap was $3 million and was recorded as other current liabilities on our condensed consolidated balance sheets (unaudited). For the three months ended March 31, 2015, we recorded a reduction of interest expense of nil due to changes in fair value of the swap. As of March 31, 2015, Arabian Amines Company was not in compliance with certain financial covenants contained in its loan commitments. For more information, see "Note 7. Debt Direct and Subsidiary Debt Variable Interest Entity Debt."

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 USD 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 March 31, 2015, the fair value of this swap was $33 million and was recorded in noncurrent assets.

On March 17, 2010, we entered into three five year cross-currency interest rate contracts to swap an aggregate notional $350 million for an aggregate notional €255 million. This swap was designated as a hedge of net investment for financial reporting purposes. During the three months ended March 31, 2015, we terminated these cross-currency interest rate contracts and received $66 million in payments from the counterparties.

We 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

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)**

intercompany loans that are designated as permanent loans are recorded in other 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 March 31, 2015, we have designated approximately €331 million (approximately $360 million) of euro-denominated debt and cross-currency interest rate contracts as a hedge of our net investment. For the three months ended March 31, 2015, the amount of gain recognized on the hedge of our net investment was $75 million, and was recorded in other comprehensive (loss) income on our condensed consolidated statements of comprehensive (loss) income (unaudited). As of March 31, 2015, we had approximately €1,334 million (approximately $1,451 million) in net euro assets.

**9. FAIR VALUE**

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

| | March 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Non-qualified employee benefit plan investments | $ 25 | $ 25 | $ 22 | $ 22 |
| Cross-currency interest rate contracts | 33 | 33 | 48 | 48 |
| Interest rate contracts | (7) | (7) | (7) | (7) |
| Long-term debt (including current portion) | (5,358) | (5,412) | (5,200) | (5,210) |

The carrying amounts reported in our condensed consolidated balance sheets (unaudited) 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 value of non-qualified employee benefit plan investments is 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 March 31, 2015 and December 31, 2014. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since March 31, 2015 and current estimates of fair value may differ significantly from the amounts presented herein.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**9. FAIR VALUE (Continued)**

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

| Description | March 31, 2015 | Fair Value Amounts Using: Quoted prices in active markets for identical assets (Level 1)(3) | Significant other observable inputs (Level 2)(3) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| **Assets:** | | | | |
| Available-for sale equity securities: | | | | |
| Equity mutual funds | $ 25 | $ 25 | $ | $ |
| Derivatives: | | | | |
| Cross-currency interest rate contracts(1) | 33 | | | 33 |
| **Total assets** | $ 58 | $ 25 | $ | $ 33 |
| **Liabilities:** | | | | |
| Derivatives: | | | | |
| Interest rate contracts(2) | $ (7) | $ | $ (7) | $ |

| Description | December 31, 2014 | Fair Value Amounts Using: Quoted prices in active markets for identical assets (Level 1)(3) | Significant other observable inputs (Level 2)(3) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| **Assets:** | | | | |
| Available-for sale equity securities: | | | | |
| Equity mutual funds | $ 22 | $ 22 | $ | $ |
| Derivatives: | | | | |
| Cross-currency interest rate contracts(1) | 48 | | 43 | 5 |
| **Total assets** | $ 70 | $ 22 | $ 43 | $ 5 |
| **Liabilities:** | | | | |
| Derivatives: | | | | |
| Interest rate contracts(2) | $ (7) | $ | $ (7) | $ |

(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

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**9. FAIR VALUE (Continued)**

valuation adjustment, which we deemed to be significant inputs to the overall measurement of fair value at inception.

(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 for the three months ended March 31, 2015 and the year ended December 31, 2014.

The following table shows a reconciliation of beginning and ending balances for the three months ended March 31, 2015 for instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (dollars in millions). During the three months ended March 31, 2014, there were no instruments categorized as Level 3 within the fair value hierarchy.

| **Fair Value Measurements Using Significant Unobservable Inputs (Level 3)** | **Cross-Currency Interest Rate Contracts** | |
|---|---|---|
| Beginning balance, January 1, 2015 | $ | 5 |
| Transfers into Level 3 | | |
| Transfers out of Level 3 | | |
| Total gains (losses): | | |
| Included in earnings | | |
| Included in other comprehensive (loss) income | | 28 |
| Purchases, sales, issuances and settlements | | |
| Ending balance, March 31, 2015 | $ | 33 |
| 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 March 31, 2015 | $ | |

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 (loss) income as follows (dollars in millions):

| **2015** | **Interest expense** | | **Other comprehensive (loss) income** | |
|---|---|---|---|---|
| Total net gains included in earnings | $ | | $ | |
| Changes in unrealized gains relating to assets still held at March 31, 2015 | | | | 28 |

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

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**9. FAIR VALUE (Continued)**

value in periods subsequent to their initial recognition is applicable if one or more is determined to be impaired. During the three months ended March 31, 2015 and 2014, we recorded charges of nil and $6 million, respectively, for the impairment of long-lived assets.

**10. EMPLOYEE BENEFIT PLANS**

Components of the net periodic benefit costs for the three months ended March 31, 2015 and 2014 were as follows (dollars in millions):

**Huntsman Corporation**

| | Defined Benefit Plans Three months ended March 31, | | Other Postretirement Benefit Plans Three months ended March 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Service cost | $ 19 | $ 15 | $ 1 | $ 1 |
| Interest cost | 31 | 37 | 1 | 1 |
| Expected return on assets | (51) | (49) | | |
| Amortization of prior service benefit | (2) | (1) | (1) | (1) |
| Amortization of actuarial loss | 19 | 13 | 1 | |
| Special termination benefits | | 3 | | |
| Settlement loss | | 1 | | |
| Net periodic benefit cost | $ 16 | $ 19 | $ 2 | $ 1 |

**Huntsman International**

| | Defined Benefit Plans Three months ended March 31, | | Other Postretirement Benefit Plans Three months ended March 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Service cost | $ 19 | $ 15 | $ 1 | $ 1 |
| Interest cost | 31 | 37 | 1 | 1 |
| Expected return on assets | (51) | (49) | | |
| Amortization of prior service benefit | (2) | (1) | (1) | (1) |
| Amortization of actuarial loss | 21 | 15 | 1 | |
| Special termination benefits | | 3 | | |
| Settlement loss | | 1 | | |
| Net periodic benefit cost | $ 18 | $ 21 | $ 2 | $ 1 |

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**10. EMPLOYEE BENEFIT PLANS (Continued)**

During the three months ended March 31, 2015 and 2014, we made contributions to our pension and other postretirement benefit plans of $33 million and $28 million, respectively. During the remainder of 2015, we expect to contribute an additional amount of approximately $66 million to these plans.

**11. HUNTSMAN CORPORATION STOCKHOLDERS' EQUITY**

**COMMON STOCK DIVIDENDS**

During each of the three months ended March 31, 2015 and 2014, we paid cash dividends of $31 million and $30 million, respectively, or $0.125 per share, to common stockholders.

**12. OTHER COMPREHENSIVE (LOSS) INCOME**

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

**Huntsman Corporation**

| | Foreign currency translation adjustment(a) | Pension and other postretirement benefits adjustments, net of tax(b) | Other comprehensive income of unconsolidated affiliates | Other, net | Total | Amounts attributable to noncontrolling interests | Amounts attributable to Huntsman Corporation |
|---|---|---|---|---|---|---|---|
| Beginning balance, January 1, 2015 | $ 25 | $ (1,122) | $ 10 | $ 11 | $ (1,076) | $ 23 | $ (1,053) |
| Other comprehensive (loss) income before reclassifications | (182) | | (1) | | (183) | 7 | (176) |
| Amounts reclassified from accumulated other comprehensive loss(c) | | 13 | | | 13 | | 13 |
| Net current-period other comprehensive (loss) income | (182) | 13 | (1) | | (170) | 7 | (163) |
| Ending balance, March 31, 2015 | $ (157) | $ (1,109) | $ 9 | $ 11 | $ (1,246) | $ 30 | $ (1,216) |

(a) Amounts are net of tax of $74 and $47 as of March 31, 2015 and January 1, 2015, respectively.

(b) Amounts are net of tax of $178 and $182 as of March 31, 2015 and January 1, 2015, respectively.

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**12. OTHER COMPREHENSIVE (LOSS) INCOME (Continued)**

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

| | Foreign currency translation adjustment(a) | Pension and other postretirement benefits adjustments, net of tax(b) | Other comprehensive income of unconsolidated affiliates | Other, net | Total | Amounts attributable to noncontrolling interests | Amounts attributable to Huntsman Corporation |
|---|---|---|---|---|---|---|---|
| Beginning balance, January 1, 2014 | $ 246 | $ (851) | $ 12 | $ 8 | $ (585) | $ 8 | $ (577) |
| Other comprehensive (loss) income before reclassifications | (2) | | | | (2) | (4) | (6) |
| Amounts reclassified from accumulated other comprehensive loss(c) | | 9 | | | 9 | | 9 |
| Net current-period other comprehensive (loss) income | (2) | 9 | | | 7 | (4) | 3 |
| Ending balance, March 31, 2014 | $ 244 | $ (842) | $ 12 | $ 8 | $ (578) | $ 4 | $ (574) |

(a) Amounts are net of tax of $13 as of both March 31, 2014 and January 1, 2014.

(b) Amounts are net of tax of $80 and $83 as of March 31, 2014 and January 1, 2014, respectively.

**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**12. OTHER COMPREHENSIVE (LOSS) INCOME (Continued)**

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

| Details about Accumulated Other Comprehensive Loss Components(a): | Three months ended March 31, 2015 Amounts reclassified from accumulated other comprehensive loss | Three months ended March 31, 2014 Amounts reclassified from accumulated other comprehensive loss | Affected line item in the statement where net income is presented |
|---|---|---|---|
| Amortization of pension and other postretirement benefits: | | | |
| Prior service credit | $ (2) | $ (2) | (b) |
| Actuarial loss | 19 | 13 | (b)(c) |
| Settlement loss | | 1 | (b) |
| | 17 | 12 | Total before tax |
| | (4) | (3) | Income tax expense |
| **Total reclassifications for the period** | $ 13 | $ 9 | Net of tax |

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

(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 March 31, 2015 and 2014.

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

**12. OTHER COMPREHENSIVE (LOSS) INCOME (Continued)**

**Huntsman International**

| | Foreign currency translation adjustment(a) | Pension and other postretirement benefits adjustments, net of tax(b) | Other comprehensive income (loss) of unconsolidated affiliates | Other, net | Total | Amounts attributable to noncontrolling interests | Amounts attributable to Huntsman International |
|---|---|---|---|---|---|---|---|
| Beginning balance, January 1, 2015 | $ 22 | $ (1,147) | $ 10 | $ 5 | $ (1,110) | $ 23 | $ (1,087) |
| Other comprehensive (loss) income before reclassifications | (182) | | (1) | | (183) | 7 | (176) |
| Amounts reclassified from accumulated other comprehensive loss(c) | | 15 | | | 15 | | 15 |
| Net current-period other comprehensive (loss) income | (182) | 15 | (1) | | (168) | 7 | (161) |
| Ending balance, March 31, 2015 | $ (160) | $ (1,132) | $ 9 | $ 5 | $ (1,278) | $ 30 | $ (1,248) |