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 500 Huntsman Way Salt Lake City, Utah 84108 (801) 584-5700	Delaware	42-1648585
333-85141	Huntsman International LLC 500 Huntsman Way Salt Lake City, Utah 84108 (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).

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)

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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	**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	Three months ended March 31, 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.

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;

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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

HUNTSMAN CORPORATION AND SUBSIDIARIES

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.

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