

Huntsman CORP  
 Form 10-Q  
 August 03, 2016

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**UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549**

**Form 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2016

OR

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

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

| Commission File Number | 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>10003 Woodloch Forest Drive<br>The Woodlands, Texas 77380<br>(281) 719-6000       | Delaware                               | 42-1648585                         |
| 333-85141              | Huntsman International LLC<br>10003 Woodloch Forest Drive<br>The Woodlands, Texas 77380<br>(281) 719-6000 | Delaware                               | 87-0630358                         |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Huntsman Corporation YES  NO   
 Huntsman International LLC YES  NO

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

Huntsman Corporation YES  NO   
 Huntsman International LLC YES  NO

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

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|                            |   |  |   |  |
|----------------------------|---|--|---|--|
| Huntsman Corporation       | Large accelerated filer <input checked="" type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input type="checkbox"/>            | Smaller reporting company <input type="checkbox"/> |
|                            |   |  | (Do not check if a smaller reporting company)             |  |
| Huntsman International LLC | Large accelerated filer <input type="checkbox"/>            | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input checked="" type="checkbox"/> | Smaller reporting company <input type="checkbox"/> |
|                            |   |  | (Do not check if a smaller reporting company)             |  |

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

|                            |                              |  |
|----------------------------|------------------------------|--|
| Huntsman Corporation       | YES <input type="checkbox"/> | NO <input checked="" type="checkbox"/> |
| Huntsman International LLC | YES <input type="checkbox"/> | NO <input checked="" type="checkbox"/> |

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On July 19, 2016, 238,158,879 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.

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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.

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**HUNTSMAN CORPORATION AND SUBSIDIARIES  
HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES  
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD  
ENDED JUNE 30, 2016**

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****HUNTSMAN CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(In Millions, Except Share and Per Share Amounts)**

|  | <b>June 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|--|--------------------------|------------------------------|
| <b>ASSETS</b>  |                          |                              |
| <b>Current assets:</b>   |                          |                              |
| Cash and cash equivalents(a)   | \$ 373                   | \$ 257                       |
| Restricted cash(a)   | 10                       | 12                           |
| Accounts and notes receivable (net of allowance for doubtful accounts of \$29 and \$26, respectively), (\$492 and \$438 pledged as collateral, respectively)(a)            | 1,532                    | 1,420                        |
| Accounts receivable from affiliates  | 14                       | 29                           |
| Inventories(a)   | 1,522                    | 1,692                        |
| Prepaid expenses   | 55                       | 112                          |
| Other current assets(a)  | 285                      | 312                          |
| <b>Total current assets</b>  | <b>3,791</b>             | <b>3,834</b>                 |
| Property, plant and equipment, net(a)  | 4,377                    | 4,446                        |
| Investment in unconsolidated affiliates  | 335                      | 347                          |
| Intangible assets, net(a)  | 97                       | 86                           |
| Goodwill   | 123                      | 116                          |
| Deferred income taxes  | 407                      | 418                          |
| Other noncurrent assets(a)   | 597                      | 573                          |
| <b>Total assets</b>  | <b>\$ 9,727</b>          | <b>\$ 9,820</b>              |
| <b>LIABILITIES AND EQUITY</b>  |                          |                              |
| <b>Current liabilities:</b>  |                          |                              |
| Accounts payable(a)  | \$ 963                   | \$ 1,034                     |
| Accounts payable to affiliates   | 28                       | 27                           |
| Accrued liabilities(a)   | 602                      | 686                          |
| Current portion of debt(a)   | 96                       | 170                          |
| <b>Total current liabilities</b>   | <b>1,689</b>             | <b>1,917</b>                 |
| Long-term debt(a)  | 4,653                    | 4,625                        |
| Notes payable to affiliates  | 1                        | 1                            |
| Deferred income taxes  | 466                      | 422                          |
| Other noncurrent liabilities(a)  | 1,210                    | 1,226                        |
| <b>Total liabilities</b>   | <b>8,019</b>             | <b>8,191</b>                 |
| <b>Commitments and contingencies (Notes 12 and 13)</b>   |                          |                              |
| <b>Equity</b>  |                          |                              |
| <b>Huntsman Corporation stockholders' equity:</b>  |                          |                              |
| Common stock \$0.01 par value, 1,200,000,000 shares authorized, 250,764,279 and 249,483,541 shares issued and 236,298,003 and 237,080,026 shares outstanding, respectively | 3                        | 3                            |
| Additional paid-in capital   | 3,443                    | 3,407                        |
| Treasury stock, 12,607,223 and 11,162,454 shares, respectively   | (150)                    | (135)                        |
| Unearned stock-based compensation  | (24)                     | (17)                         |
| Accumulated deficit  | (447)                    | (528)                        |

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|  |                 |                 |
|--|-----------------|-----------------|
| Accumulated other comprehensive loss                   | (1,296)         | (1,288)         |
| <b>Total Huntsman Corporation stockholders' equity</b> | <b>1,529</b>    | <b>1,442</b>    |
| Noncontrolling interests in subsidiaries               | 179             | 187             |
| <b>Total equity</b>                                    | <b>1,708</b>    | <b>1,629</b>    |
| <b>Total liabilities and equity</b>                    | <b>\$ 9,727</b> | <b>\$ 9,820</b> |

(a)

At June 30, 2016 and December 31, 2015, respectively, \$25 and \$34 of cash and cash equivalents, \$10 and \$12 of restricted cash, \$29 and \$26 of accounts and notes receivable (net), \$39 and \$54 of inventories, \$5 each of other current assets, \$295 and \$307 of property, plant and equipment (net), \$34 and \$36 of intangible assets (net), \$43 and \$38 of other noncurrent assets, \$76 and \$82 of accounts payable, \$33 and \$27 of accrued liabilities, \$19 and \$15 of current portion of debt, \$123 and \$137 of long-term debt, and \$55 and \$54 of other noncurrent liabilities from consolidated variable interest entities are included in the respective balance sheet captions above. See "Note 4. Variable Interest Entities."

See accompanying notes to condensed consolidated financial statements.

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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Millions, Except Per Share Amounts)

|  | Three months<br>ended June 30, |              | Six months<br>ended June 30, |              |
|--|--------------------------------|--------------|------------------------------|--------------|
|  | 2016                           | 2015         | 2016                         | 2015         |
| <b>Revenues:</b>   |                                |              |                              |              |
| Trade sales, services and fees, net  | \$ 2,512                       | \$ 2,697     | \$ 4,833                     | \$ 5,257     |
| Related party sales  | 32                             | 43           | 66                           | 72           |
| <b>Total revenues</b>  | <b>2,544</b>                   | <b>2,740</b> | <b>4,899</b>                 | <b>5,329</b> |
| <b>Cost of goods sold</b>  | <b>2,087</b>                   | <b>2,191</b> | <b>4,026</b>                 | <b>4,330</b> |
| <b>Gross profit</b>  | <b>457</b>                     | <b>549</b>   | <b>873</b>                   | <b>999</b>   |
| <b>Operating expenses:</b>   |                                |              |                              |              |
| Selling, general and administrative  | 234                            | 249          | 457                          | 495          |
| Research and development   | 39                             | 41           | 76                           | 83           |
| Other operating income, net  | (21)                           | (1)          | (16)                         | (9)          |
| Restructuring, impairment and plant closing costs  | 29                             | 114          | 42                           | 207          |
| Total expenses   | 281                            | 403          | 559                          | 776          |
| <b>Operating income</b>  | <b>176</b>                     | <b>146</b>   | <b>314</b>                   | <b>223</b>   |
| Interest expense, net  | (50)                           | (53)         | (100)                        | (109)        |
| Equity in income of investment in unconsolidated affiliates  | 2                              | 3            | 3                            | 5            |
| Loss on early extinguishment of debt   | (2)                            | (20)         | (2)                          | (23)         |
| Other income (loss)  | 1                              | (1)          | 2                            | (2)          |
| <b>Income from continuing operations before income taxes</b>   | <b>127</b>                     | <b>75</b>    | <b>217</b>                   | <b>94</b>    |
| Income tax expense   | (32)                           | (34)         | (59)                         | (36)         |
| <b>Income from continuing operations</b>   | <b>95</b>                      | <b>41</b>    | <b>158</b>                   | <b>58</b>    |
| Loss from discontinued operations  | (1)                            | (2)          | (2)                          | (4)          |
| <b>Net income</b>  | <b>94</b>                      | <b>39</b>    | <b>156</b>                   | <b>54</b>    |
| Net income attributable to noncontrolling interests  | (7)                            | (10)         | (13)                         | (20)         |
| <b>Net income attributable to Huntsman Corporation</b>   | <b>\$ 87</b>                   | <b>\$ 29</b> | <b>\$ 143</b>                | <b>\$ 34</b> |
| <b>Basic income (loss) per share:</b>  |                                |              |                              |              |
| Income from continuing operations attributable to Huntsman Corporation common stockholders             | \$ 0.37                        | \$ 0.13      | \$ 0.62                      | \$ 0.16      |
| Loss from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax |                                | (0.01)       | (0.01)                       | (0.02)       |
| Net income attributable to Huntsman Corporation common stockholders                                    | \$ 0.37                        | \$ 0.12      | \$ 0.61                      | \$ 0.14      |

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|                         |       |       |       |       |
|-------------------------|-------|-------|-------|-------|
| Weighted average shares | 236.3 | 244.1 | 236.2 | 244.0 |
|-------------------------|-------|-------|-------|-------|

**Diluted income (loss) per share:**

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Income from continuing operations attributable to Huntsman Corporation common stockholders             | \$ 0.36 | \$ 0.13 | \$ 0.61 | \$ 0.16 |
| Loss from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax |         | (0.01)  | (0.01)  | (0.02)  |
| Net income attributable to Huntsman Corporation common stockholders                                    | \$ 0.36 | \$ 0.12 | \$ 0.60 | \$ 0.14 |

|                         |       |       |       |       |
|-------------------------|-------|-------|-------|-------|
| Weighted average shares | 239.5 | 247.5 | 238.3 | 247.3 |
|-------------------------|-------|-------|-------|-------|

**Amounts attributable to Huntsman Corporation common stockholders:**

|   |       |       |        |       |
|---|-------|-------|--------|-------|
| Income from continuing operations             | \$ 88 | \$ 31 | \$ 145 | \$ 38 |
| Loss from discontinued operations, net of tax | (1)   | (2)   | (2)    | (4)   |
| Net income                                    | \$ 87 | \$ 29 | \$ 143 | \$ 34 |

|                            |          |          |         |         |
|----------------------------|----------|----------|---------|---------|
| <b>Dividends per share</b> | \$ 0.125 | \$ 0.125 | \$ 0.25 | \$ 0.25 |
|----------------------------|----------|----------|---------|---------|

See accompanying notes to condensed consolidated financial statements.

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(In Millions)

|   | Three months<br>ended<br>June 30, |       | Six months<br>ended<br>June 30, |         |
|---|-----------------------------------|-------|---------------------------------|---------|
|   | 2016                              | 2015  | 2016                            | 2015    |
| <b>Net income</b>   | \$ 94                             | \$ 39 | \$ 156                          | \$ 54   |
| <b>Other comprehensive (loss) income, net of tax:</b>                   |                                   |       |                                 |         |
| Foreign currency translations adjustments                               | (53)                              | 40    | (26)                            | (142)   |
| Pension and other postretirement benefits adjustments                   | 11                                | 9     | 24                              | 22      |
| Other, net  | 5                                 | 10    | (6)                             | 9       |
| <b>Other comprehensive (loss) income, net of tax</b>                    | (37)                              | 59    | (8)                             | (111)   |
| <b>Comprehensive income (loss)</b>                                      | 57                                | 98    | 148                             | (57)    |
| Comprehensive income attributable to noncontrolling interests           | (5)                               | (12)  | (13)                            | (15)    |
| <b>Comprehensive income (loss) attributable to Huntsman Corporation</b> | \$ 52                             | \$ 86 | \$ 135                          | \$ (72) |

See accompanying notes to condensed consolidated financial statements.



Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EQUITY****(In Millions, Except Share Amounts)****Huntsman Corporation Stockholders' Equity**

|  | Shares             |             | Additional      | Unearned        | Accumulated    | Accumulated     | Noncontrolling    | Total         |                 |
|--|--------------------|-------------|-----------------|-----------------|----------------|-----------------|-------------------|---------------|-----------------|
|  | Common             | Common      | paid-in         | Treasury        | stock-based    | other           | interests in      | equity        |                 |
|  | stock              | stock       | capital         | stock           | compensation   | loss            | subsidiaries      |               |                 |
|  |                    |             |                 |                 |                | deficit         |                   |               |                 |
| Balance, January 1, 2016                                 | 237,080,026        | \$ 3        | \$ 3,407        | \$ (135)        | \$ (17)        | \$ (528)        | \$ (1,288)        | \$ 187        | \$ 1,629        |
| Net income   |                    |             |                 |                 |                | 143             |                   | 13            | 156             |
| Other comprehensive income                               |                    |             |                 |                 |                |                 | (8)               |               | (8)             |
| Issuance of nonvested stock awards                       |                    |             | 17              |                 | (17)           |                 |                   |               |                 |
| Vesting of stock awards                                  | 886,555            |             | 2               |                 |                |                 |                   |               | 2               |
| Recognition of stock-based compensation                  |                    |             | 5               |                 | 10             |                 |                   |               | 15              |
| Repurchase and cancellation of stock awards              | (246,663)          |             |                 |                 |                | (2)             |                   |               | (2)             |
| Stock options exercised                                  | 22,854             |             |                 |                 |                |                 |                   |               |                 |
| Dividends paid to noncontrolling interests               |                    |             |                 |                 |                |                 |                   | (21)          | (21)            |
| Treasury stock repurchased                               | (1,444,769)        |             | 15              | (15)            |                |                 |                   |               |                 |
| Excess tax shortfall related to stock-based compensation |                    |             | (3)             |                 |                |                 |                   |               | (3)             |
| Dividends declared on common stock                       |                    |             |                 |                 |                | (60)            |                   |               | (60)            |
| <b>Balance, June 30, 2016</b>                            | <b>236,298,003</b> | <b>\$ 3</b> | <b>\$ 3,443</b> | <b>\$ (150)</b> | <b>\$ (24)</b> | <b>\$ (447)</b> | <b>\$ (1,296)</b> | <b>\$ 179</b> | <b>\$ 1,708</b> |
| Balance, January 1, 2015                                 | 243,416,979        | \$ 3        | \$ 3,385        | \$ (50)         | \$ (14)        | \$ (493)        | \$ (1,053)        | \$ 173        | \$ 1,951        |
| Net income   |                    |             |                 |                 |                | 34              |                   | 20            | 54              |
| Other comprehensive loss                                 |                    |             |                 |                 |                |                 | (106)             | (5)           | (111)           |
| Issuance of nonvested stock awards                       |                    |             | 19              |                 | (19)           |                 |                   |               |                 |
| Vesting of stock awards                                  | 1,006,871          |             | 5               |                 |                |                 |                   |               | 5               |
| Recognition of stock-based compensation                  |                    |             | 5               |                 | 9              |                 |                   |               | 14              |
| Repurchase and cancellation of stock awards              | (304,079)          |             |                 |                 |                | (7)             |                   |               | (7)             |
| Stock options exercised                                  | 48,572             |             | 1               |                 |                |                 |                   |               | 1               |
| Dividends paid to noncontrolling interests               |                    |             |                 |                 |                |                 |                   | (4)           | (4)             |
| Excess tax benefit related to stock-based compensation   |                    |             | 1               |                 |                |                 |                   |               | 1               |
| Dividends declared on common stock                       |                    |             |                 |                 |                | (62)            |                   |               | (62)            |
| <b>Balance, June 30, 2015</b>                            | <b>244,168,343</b> | <b>\$ 3</b> | <b>\$ 3,416</b> | <b>\$ (50)</b>  | <b>\$ (24)</b> | <b>\$ (528)</b> | <b>\$ (1,159)</b> | <b>\$ 184</b> | <b>\$ 1,842</b> |

See accompanying notes to condensed consolidated financial statements.

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In Millions)

|   | Six months<br>ended<br>June 30, |              |
|---|---------------------------------|--------------|
|   | 2016                            | 2015         |
| <b>Operating Activities:</b>  |                                 |              |
| Net income  | \$ 156                          | \$ 54        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |              |
| Equity in income of investment in unconsolidated affiliates                       | (3)                             | (5)          |
| Depreciation and amortization   | 209                             | 194          |
| Loss on disposal of businesses/assets, net  | 2                               |              |
| Loss on early extinguishment of debt  | 2                               | 23           |
| Noncash interest expense  | 8                               | 8            |
| Noncash restructuring and impairment charges                                      | 9                               | 85           |
| Deferred income taxes   | 52                              | (59)         |
| Noncash gain on foreign currency transactions                                     |                                 | (4)          |
| Stock-based compensation  | 17                              | 17           |
| Portion of insurance proceeds representing cash provided by investing activities  | (8)                             |              |
| Other, net  | (1)                             | 4            |
| Changes in operating assets and liabilities, net of effects of acquisitions:      |                                 |              |
| Accounts and notes receivable   | (90)                            | (142)        |
| Inventories   | 177                             | 7            |
| Prepaid expenses  | 14                              | 14           |
| Other current assets  | 22                              | 62           |
| Other noncurrent assets   | (36)                            | (99)         |
| Accounts payable  | (56)                            | 12           |
| Accrued liabilities   | (39)                            | 31           |
| Other noncurrent liabilities  | 8                               | (21)         |
| <b>Net cash provided by operating activities</b>                                  | <b>443</b>                      | <b>181</b>   |
| <b>Investing Activities:</b>  |                                 |              |
| Capital expenditures  | (189)                           | (296)        |
| Insurance proceeds for recovery of property damage                                | 8                               |              |
| Cash received from unconsolidated affiliates                                      | 19                              | 25           |
| Investment in unconsolidated affiliates   | (14)                            | (32)         |
| Acquisition of business, net of cash acquired                                     |                                 | (15)         |
| Cash received from purchase price adjustment for business acquired                |                                 | 18           |
| Proceeds from sale of businesses/assets   |                                 | 1            |
| Cash received from termination of cross-currency interest rate contracts          |                                 | 66           |
| Change in restricted cash   | 2                               |              |
| <b>Net cash used in investing activities</b>                                      | <b>(174)</b>                    | <b>(233)</b> |

(Continued)

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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Millions)

|  | Six months<br>ended<br>June 30, |              |
|--|---------------------------------|--------------|
|  | 2016                            | 2015         |
| <b>Financing Activities:</b>                           |                                 |              |
| Net repayments on overdraft facilities                 | \$ (1)                          | \$ (2)       |
| Repayments of short-term debt                          | (18)                            | (17)         |
| Borrowings on short-term debt                          | 6                               |              |
| Repayments of long-term debt                           | (582)                           | (388)        |
| Proceeds from issuance of long-term debt               | 547                             | 326          |
| Repayments of notes payable                            | (16)                            | (15)         |
| Borrowings on notes payable                            | 2                               | 1            |
| Debt issuance costs paid                               | (8)                             | (5)          |
| Call premiums related to early extinguishment of debt  |                                 | (26)         |
| Contingent consideration paid for acquisition          |                                 | (4)          |
| Dividends paid to common stockholders                  | (60)                            | (62)         |
| Dividends paid to noncontrolling interests             | (21)                            | (4)          |
| Repurchase and cancellation of stock awards            | (2)                             | (7)          |
| Proceeds from issuance of common stock                 |                                 | 1            |
| Excess tax benefit related to stock-based compensation |                                 | 1            |
| Other, net   |                                 | (1)          |
| <b>Net cash used in financing activities</b>           | <b>(153)</b>                    | <b>(202)</b> |
| Effect of exchange rate changes on cash                |                                 | (7)          |
| Increase (decrease) in cash and cash equivalents       | 116                             | (261)        |
| Cash and cash equivalents at beginning of period       | 257                             | 860          |
| Cash and cash equivalents at end of period             | \$ 373                          | \$ 599       |
| <b>Supplemental cash flow information:</b>             |                                 |              |
| Cash paid for interest                                 | \$ 103                          | \$ 115       |
| Cash paid for income taxes                             | 21                              | 30           |

As of June 30, 2016 and 2015, the amount of capital expenditures in accounts payable was \$59 million and \$55 million, respectively.

See accompanying notes to condensed consolidated financial statements.

Table of Contents**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In Millions)

|   | June 30,<br>2016 | December 31,<br>2015 |
|---|------------------|----------------------|
| <b>ASSETS</b>   |                  |                      |
| <b>Current assets:</b>  |                  |                      |
| Cash and cash equivalents(a)  | \$ 373           | \$ 257               |
| Restricted cash(a)  | 10               | 12                   |
| Accounts and notes receivable (net of allowance for doubtful accounts of \$29 and \$26, respectively), (\$492 and \$438 pledged as collateral, respectively)(a) | 1,532            | 1,420                |
| Accounts receivable from affiliates   | 329              | 340                  |
| Inventories(a)  | 1,522            | 1,692                |
| Prepaid expenses  | 54               | 111                  |
| Other current assets(a)   | 279              | 306                  |
| <b>Total current assets</b>   | <b>4,099</b>     | <b>4,138</b>         |
| Property, plant and equipment, net(a)   | 4,347            | 4,410                |
| Investment in unconsolidated affiliates   | 335              | 347                  |
| Intangible assets, net(a)   | 98               | 86                   |
| Goodwill  | 123              | 116                  |
| Deferred income taxes   | 407              | 418                  |
| Other noncurrent assets(a)  | 596              | 573                  |
| <b>Total assets</b>   | <b>\$ 10,005</b> | <b>\$ 10,088</b>     |
| <b>LIABILITIES AND EQUITY</b>   |                  |                      |
| <b>Current liabilities:</b>   |                  |                      |
| Accounts payable(a)   | \$ 963           | \$ 1,034             |
| Accounts payable to affiliates  | 57               | 52                   |
| Accrued liabilities(a)  | 599              | 683                  |
| Notes payable to affiliates   | 100              | 100                  |
| Current portion of debt(a)  | 96               | 170                  |
| <b>Total current liabilities</b>  | <b>1,815</b>     | <b>2,039</b>         |
| Long-term debt(a)   | 4,653            | 4,625                |
| Notes payable to affiliates   | 697              | 698                  |
| Deferred income taxes   | 462              | 418                  |
| Other noncurrent liabilities(a)   | 1,212            | 1,224                |
| <b>Total liabilities</b>  | <b>8,839</b>     | <b>9,004</b>         |
| <b>Commitments and contingencies (Notes 12 and 13)</b>  |                  |                      |
| <b>Equity</b>   |                  |                      |
| <b>Huntsman International LLC members' equity:</b>  |                  |                      |
| Members' equity, 2,728 units issued and outstanding   | 3,209            | 3,196                |
| Accumulated deficit   | (901)            | (983)                |
| Accumulated other comprehensive loss  | (1,321)          | (1,316)              |
| <b>Total Huntsman International LLC members' equity</b>   | <b>987</b>       | <b>897</b>           |
| Noncontrolling interests in subsidiaries  | 179              | 187                  |

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|                                     |           |           |
|-------------------------------------|-----------|-----------|
| <b>Total equity</b>                 | 1,166     | 1,084     |
| <b>Total liabilities and equity</b> | \$ 10,005 | \$ 10,088 |

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(a)

At June 30, 2016 and December 31, 2015, respectively, \$25 and \$34 of cash and cash equivalents, \$10 and \$12 of restricted cash, \$29 and \$26 of accounts and notes receivable (net), \$39 and \$54 of inventories, \$5 each of other current assets, \$295 and \$307 of property, plant and equipment (net), \$34 and \$36 of intangible assets (net), \$43 and \$38 of other noncurrent assets, \$76 and \$82 of accounts payable, \$33 and \$27 of accrued liabilities, \$19 and \$15 of current portion of debt, \$123 and \$137 of long-term debt, and \$55 and \$54 of other noncurrent liabilities from consolidated variable interest entities are included in the respective balance sheet captions above. See "Note 4. Variable Interest Entities."

See accompanying notes to condensed consolidated financial statements.

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**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In Millions)

|  | Three months<br>ended June 30, |          | Six months<br>ended June 30, |          |
|--|--------------------------------|----------|------------------------------|----------|
|  | 2016                           | 2015     | 2016                         | 2015     |
| <b>Revenues:</b>   |                                |          |                              |          |
| Trade sales, services and fees, net                          | \$ 2,512                       | \$ 2,697 | \$ 4,833                     | \$ 5,257 |
| Related party sales  | 32                             | 43       | 66                           | 72       |
| <b>Total revenues</b>  | 2,544                          | 2,740    | 4,899                        | 5,329    |
| <b>Cost of goods sold</b>                                    | 2,086                          | 2,191    | 4,024                        | 4,328    |
| <b>Gross profit</b>  | 458                            | 549      | 875                          | 1,001    |
| <b>Operating expenses:</b>                                   |                                |          |                              |          |
| Selling, general and administrative                          | 234                            | 248      | 455                          | 492      |
| Research and development                                     | 39                             | 41       | 76                           | 83       |
| Other operating income, net                                  | (21)                           | (2)      | (16)                         | (9)      |
| Restructuring, impairment and plant closing costs            | 29                             | 114      | 42                           | 207      |
| Total expenses   | 281                            | 401      | 557                          | 773      |
| <b>Operating income</b>                                      | 177                            | 148      | 318                          | 228      |
| Interest expense   | (53)                           | (56)     | (106)                        | (114)    |
| Equity in income of investment in unconsolidated affiliates  | 2                              | 3        | 3                            | 5        |
| Loss on early extinguishment of debt                         | (2)                            | (20)     | (2)                          | (23)     |
| Other income (loss)  | 1                              |          | 2                            | (1)      |
| <b>Income from continuing operations before income taxes</b> | 125                            | 75       | 215                          | 95       |
| Income tax expense   | (31)                           | (34)     | (58)                         | (37)     |
| <b>Income from continuing operations</b>                     | 94                             | 41       | 157                          | 58       |
| Loss from discontinued operations, net of tax                | (1)                            | (2)      | (2)                          | (4)      |
| <b>Net income</b>  | 93                             | 39       | 155                          | 54       |
| Net income attributable to noncontrolling interests          | (7)                            | (10)     | (13)                         | (20)     |
| <b>Net income attributable to Huntsman International LLC</b> | \$ 86                          | \$ 29    | \$ 142                       | \$ 34    |

See accompanying notes to condensed consolidated financial statements.

Table of Contents**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(In Millions)

|   | Three months<br>ended<br>June 30, |       | Six months<br>ended<br>June 30, |         |
|---|-----------------------------------|-------|---------------------------------|---------|
|   | 2016                              | 2015  | 2016                            | 2015    |
| <b>Net income</b>   | \$ 93                             | \$ 39 | \$ 155                          | \$ 54   |
| <b>Other comprehensive (loss) income, net of tax:</b>                         |                                   |       |                                 |         |
| Foreign currency translations adjustment                                      | (54)                              | 39    | (26)                            | (143)   |
| Pension and other postretirement benefits adjustments                         | 11                                | 11    | 26                              | 26      |
| Other, net  | 6                                 | 10    | (5)                             | 9       |
| <b>Other comprehensive (loss) income, net of tax</b>                          | (37)                              | 60    | (5)                             | (108)   |
| <b>Comprehensive income (loss)</b>  | 56                                | 99    | 150                             | (54)    |
| Comprehensive income attributable to noncontrolling interests                 | (5)                               | (12)  | (13)                            | (15)    |
| <b>Comprehensive income (loss) attributable to Huntsman International LLC</b> | \$ 51                             | \$ 87 | \$ 137                          | \$ (69) |

See accompanying notes to condensed consolidated financial statements.

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**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**

(In Millions, Except Unit Amounts)

|  | Members' equity                           |          | Accumulated<br>deficit | Accumulated<br>other<br>comprehensive<br>loss | Noncontrolling<br>interests in<br>subsidiaries | Total<br>equity |
|--|---|----------|------------------------|---|--|-----------------|
|  | Units                                     | Amount   |                        |   |  |                 |
|  | <b>Huntsman International LLC Members</b> |          |                        |   |  |                 |
| Balance, January 1, 2016                                 | 2,728                                     | \$ 3,196 | \$ (983)               | \$ (1,316)                                    | \$ 187   | \$ 1,084        |
| Net income   |   |          | 142                    |   | 13   | 155             |
| Dividends paid to parent                                 |   |          | (60)                   |   |  | (60)            |
| Other comprehensive income                               |   |          |                        | (5)   |  | (5)             |
| Contribution from parent                                 |   | 16       |                        |   |  | 16              |
| Dividends paid to noncontrolling interests               |   |          |                        |   | (21)   | (21)            |
| Excess tax shortfall related to stock-based compensation |   | (3)      |                        |   |  | (3)             |
| Balance, June 30, 2016                                   | 2,728                                     | \$ 3,209 | \$ (901)               | \$ (1,321)                                    | \$ 179   | \$ 1,166        |
| Balance, January 1, 2015                                 | 2,728                                     | \$ 3,166 | \$ (956)               | \$ (1,087)                                    | \$ 173   | \$ 1,296        |
| Net income   |   |          | 34                     |   | 20   | 54              |
| Dividends paid to parent                                 |   |          | (61)                   |   |  | (61)            |
| Other comprehensive loss                                 |   |          |                        | (103)   | (5)  | (108)           |
| Contribution from parent                                 |   | 16       |                        |   |  | 16              |
| Dividends paid to noncontrolling interests               |   |          |                        |   | (4)  | (4)             |
| Excess tax benefit related to stock-based compensation   |   | 1        |                        |   |  | 1               |
| Balance, June 30, 2015                                   | 2,728                                     | \$ 3,183 | \$ (983)               | \$ (1,190)                                    | \$ 184   | \$ 1,194        |

See accompanying notes to condensed consolidated financial statements.



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**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In Millions)

|   | Six months<br>ended June 30, |              |
|---|------------------------------|--------------|
|   | 2016                         | 2015         |
| <b>Operating Activities:</b>  |                              |              |
| Net income  | \$ 155                       | \$ 54        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                              |              |
| Equity in income of investment in unconsolidated affiliates                       | (3)                          | (5)          |
| Depreciation and amortization   | 203                          | 187          |
| Loss on disposal of businesses/assets, net  | 2                            |              |
| Loss on early extinguishment of debt  | 2                            | 23           |
| Noncash interest expense  | 13                           | 12           |
| Noncash restructuring and impairment charges                                      | 9                            | 85           |
| Deferred income taxes   | 53                           | (59)         |
| Noncash gain on foreign currency transactions                                     |                              | (4)          |
| Noncash compensation  | 16                           | 16           |
| Portion of insurance proceeds representing cash provided by investing activities  | (8)                          |              |
| Other, net  | (1)                          | 6            |
| Changes in operating assets and liabilities, net of effects of acquisitions:      |                              |              |
| Accounts and notes receivable   | (90)                         | (142)        |
| Inventories   | 177                          | 7            |
| Prepaid expenses  | 15                           | 15           |
| Other current assets  | 22                           | 55           |
| Other noncurrent assets   | (36)                         | (99)         |
| Accounts payable  | (62)                         | 8            |
| Accrued liabilities   | (38)                         | 39           |
| Other noncurrent liabilities  | 12                           | (17)         |
| <b>Net cash provided by operating activities</b>                                  | <b>441</b>                   | <b>181</b>   |
| <b>Investing Activities:</b>  |                              |              |
| Capital expenditures  | (189)                        | (296)        |
| Insurance proceeds for recovery of property damage                                | 8                            |              |
| Cash received from unconsolidated affiliates                                      | 19                           | 25           |
| Investment in unconsolidated affiliates   | (14)                         | (32)         |
| Acquisition of business, net of cash acquired                                     |                              | (15)         |
| Cash received from purchase price adjustment for business acquired                |                              | 18           |
| Proceeds from sale of businesses/assets   |                              | 1            |
| Increase in receivable from affiliate   |                              | (4)          |
| Cash received from termination of cross-currency interest rate contracts          |                              | 66           |
| Change in restricted cash   | 2                            |              |
| <b>Net cash used in investing activities</b>                                      | <b>(174)</b>                 | <b>(237)</b> |

(Continued)

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**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

(In Millions)

|  | Six months<br>ended June 30, |             |
|--|------------------------------|-------------|
|  | 2016                         | 2015        |
| <b>Financing Activities:</b>                           |                              |             |
| Net repayments on overdraft facilities                 | \$ (1)                       | \$ (2)      |
| Repayments of short-term debt                          | (18)                         | (17)        |
| Borrowings on short-term debt                          | 6                            |             |
| Repayments of long-term debt                           | (582)                        | (388)       |
| Proceeds from issuance of long-term debt               | 547                          | 326         |
| Repayments of notes payable to affiliate               | (1)                          | (50)        |
| Proceeds from issuance of notes payable from affiliate |                              | 195         |
| Repayments of notes payable                            | (16)                         | (15)        |
| Borrowings on notes payable                            | 2                            | 1           |
| Debt issuance costs paid                               | (8)                          | (5)         |
| Call premiums related to early extinguishment of debt  |                              | (26)        |
| Contingent consideration paid for acquisition          |                              | (4)         |
| Dividends paid to noncontrolling interests             | (21)                         | (4)         |
| Dividends paid to parent                               | (60)                         | (61)        |
| Excess tax benefit related to stock-based compensation |                              | 1           |
| Other, net   | 1                            | (1)         |
| <b>Net cash used in financing activities</b>           | <b>(151)</b>                 | <b>(50)</b> |
| Effect of exchange rate changes on cash                |                              | (7)         |
| Increase (decrease) in cash and cash equivalents       | 116                          | (113)       |
| Cash and cash equivalents at beginning of period       | 257                          | 710         |
| Cash and cash equivalents at end of period             | \$ 373                       | \$ 597      |

**Supplemental cash flow information:**

|                            |        |        |
|----------------------------|--------|--------|
| Cash paid for interest     | \$ 103 | \$ 115 |
| Cash paid for income taxes | 21     | 30     |

As of June 30, 2016 and 2015, the amount of capital expenditures in accounts payable was \$59 million and \$55 million, respectively. During each of the six months ended June 30, 2016 and 2015, Huntsman Corporation contributed \$16 million, related to stock-based compensation.

See accompanying notes to condensed consolidated financial statements.

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. GENERAL**

**CERTAIN DEFINITIONS**

For convenience in this report, the terms "Company," "our," "us" or "we" may be used to refer to Huntsman Corporation and, unless the context otherwise requires, its subsidiaries and predecessors. In this report, "Huntsman International" refers to Huntsman International LLC (our wholly-owned subsidiary) and, unless the context otherwise requires, its subsidiaries.

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

**INTERIM FINANCIAL STATEMENTS**

Our unaudited interim condensed consolidated financial statements and Huntsman International's unaudited interim condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP" or "U.S. GAAP") and in management's opinion reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of results of operations, comprehensive income, financial position and cash flows for the periods presented. Results for interim periods are not necessarily indicative of those to be expected for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2015 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 (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 wholly-owned subsidiary. Huntsman International is a Delaware limited liability company and was formed in 1999.

**HUNTSMAN CORPORATION AND HUNTSMAN INTERNATIONAL FINANCIAL STATEMENTS**

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

purchase accounting recorded at our Company for the 2003 step-acquisition of Huntsman International Holdings LLC, the former parent company of Huntsman International that was merged into Huntsman International in 2005;

the different capital structures; and

a note payable from Huntsman International to us.

**PRINCIPLES OF CONSOLIDATION**

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

**RECENT DEVELOPMENTS**

**Prepayment of Debt**

On July 22, 2016, Huntsman International prepaid \$100 million of the 2015 extended term loan B facility due 2019 ("2015 Extended Term Loan B"). For more information, see "Note 6. Debt Direct and Subsidiary Debt."

**Sale of European Surfactants Manufacturing Facilities**

On July 29, 2016, Huntsman Investments (Netherlands) BV ("HIBV"), a wholly-owned subsidiary of Huntsman Corporation, entered into an Exclusivity and Put Option Agreement (the "Put Option Agreement") with Innospec International LTD ("Innospec"), a wholly-owned subsidiary of Innospec Inc. The Put Option Agreement, together with a Share and Asset Purchase Agreement in an agreed form and attached thereto as an exhibit (the "Purchase Agreement," and together with the Put Option Agreement, the "Acquisition Agreements"), set forth the terms of a commitment from Innospec to purchase HIBV's European surfactants manufacturing facilities and related assets for an enterprise value of \$225 million. Pursuant to the terms of the Acquisition Agreements, HIBV would retain its accounts receivable and certain trade payables. The purchase price would also be subject to additional working capital and other adjustments (the "Transaction"). Pursuant to the terms of the Acquisition Agreements, Innospec, upon exercise of the Put Option Agreement by HIBV and following satisfaction of closing conditions referred to below, would acquire HIBV's manufacturing facilities located in



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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

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

**1. GENERAL (Continued)**

Saint-Mihiel, France; Castiglione delle Stiviere, Italy; and Barcelona, Spain and HIBV would enter into supply and long-term tolling arrangements with Innospec to continue supplying certain surfactants and other key products globally.

The Acquisition Agreements contain customary representations, warranties, and covenants and provide for indemnification rights with respect to a breach of a representation, warranty or covenant by either party, as well as for other specified matters.

The Transaction is subject to the satisfaction or waiver of customary closing conditions, including, among others: (i) the representative bodies consultation processes required by French legislation, (ii) clearance by any applicable competition law authorities, and (iii) the absence of a change that has had or is reasonably likely to have a material adverse effect on the business. The Acquisition Agreements also contain certain customary termination rights for each of HIBV and Innospec.

The foregoing description of the terms of the Acquisition Agreements is qualified in its entirety by reference to such Agreements, which will be filed subsequently with the Securities and Exchange Commission.

The Acquisition Agreements will be included to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual information about HIBV. The representations, warranties and covenants contained in the Acquisition Agreements were made only for purposes of such Agreements and as of specific dates, were solely for the benefit of the parties to such Agreements, and may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the Acquisition Agreements. The representations and warranties may have been made for the purposes of allocating contractual risk between the parties to the Acquisition Agreements instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

**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.

**2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

**Accounting Pronouncements Adopted During 2016**

In January 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 U.S. 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. We adopted the amendments in this ASU effective January 1, 2016, and the initial adoption of

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

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

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

the amendments in this ASU did not have a significant impact on our condensed consolidated financial statements.

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. We adopted the amendments in this ASU effective January 1, 2016, and the initial adoption of the amendments in this ASU did not have a significant impact on our condensed consolidated financial statements.

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. We adopted the amendments in this ASU effective January 1, 2016, and the initial adoption of the amendments in this ASU did not have a significant impact on our condensed consolidated financial statements.

**Accounting Pronouncements Pending Adoption in Future Periods**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, outlining a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers and supersedes most current revenue recognition guidance. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, deferring the effective date of ASU No. 2014-09 for all entities by one year. Further, in March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, clarifying the implementation guidance on principal versus agent considerations, in April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, clarifying the implementation guidance on identifying performance obligations in a contract and determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time), and in May 2016, the FASB issued ASU No. 2016-12, *Revenue from Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, providing clarifications and practical expedients for certain narrow aspects in Topic 606. The amendments in these ASUs are effective for annual reporting periods

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

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

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

beginning after December 15, 2017, including interim periods within that reporting period. The amendments in ASU No. 2014-09, ASU No. 2016-08, ASU No. 2016-10 and ASU No. 2016-12 should be applied retrospectively, and early application is permitted. We are currently evaluating the impact of the adoption of the amendments in ASU No. 2014-09, ASU No. 2016-08, ASU No. 2016-10 and ASU No. 2016-12 on our condensed consolidated financial statements.

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

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

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The amendments in this ASU simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption of the amendments in this ASU is permitted in any interim or annual period. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements.



Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. INVENTORIES**

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

|                            | <b>June 30,<br/>2016</b> |           | <b>December 31,<br/>2015</b> |
|----------------------------|--------------------------|-----------|------------------------------|
| Raw materials and supplies | \$ 353                   | \$        | 389                          |
| Work in progress           | 110                      |           | 125                          |
| Finished goods             | 1,101                    |           | 1,221                        |
| <b>Total</b>               | <b>1,564</b>             |           | <b>1,735</b>                 |
| LIFO reserves              | (42)                     |           | (43)                         |
| <b>Net inventories</b>     | <b>\$ 1,522</b>          | <b>\$</b> | <b>1,692</b>                 |

For both June 30, 2016 and December 31, 2015, approximately 9% of inventories were recorded using the LIFO cost method.

**4. VARIABLE INTEREST ENTITIES**

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

Rubicon LLC is our 50%-owned joint venture with Chemtura that manufactures products for our Polyurethanes and Performance Products segments. The structure of the joint venture is such that the total equity investment at risk is not sufficient to permit the joint venture to finance its activities without additional financial support. By virtue of the operating agreement with this joint venture, we purchase a majority of the output, absorb a majority of the operating costs and provide a majority of the additional funding.

Pacific Iron Products Sdn Bhd is our 50%-owned joint venture with Coogee Chemicals that manufactures products for our Pigments and Additives segment. In this joint venture, we supply all the raw materials through a fixed cost supply contract, operate the manufacturing facility and market the products of the joint venture to customers. Through a fixed price raw materials supply contract with the joint venture, we are exposed to risk related to the fluctuation of raw material pricing.

Arabian Amines Company is our 50%-owned joint venture with Zamil group that manufactures products for our Performance Products segment. As required in the operating agreement governing this joint venture, we purchase all of Arabian Amines Company's production and sell it to our customers. Substantially all of the joint venture's activities are conducted on our behalf.

Sasol-Huntsman is our 50%-owned joint venture with Sasol that owns and operates a maleic anhydride facility in Moers, Germany. This joint venture manufactures products for our Performance Products segment. The joint venture uses our technology and expertise, and we bear a disproportionate amount of risk of loss due to a related-party loan to Sasol-Huntsman for which we bear the default risk.



Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. VARIABLE INTEREST ENTITIES (Continued)**

Viance is our 50%-owned joint venture with Dow Chemical. Viance markets timber treatment products for our Pigments and Additives segment. The joint venture sources all of its products through a contract manufacturing arrangement at our Harrisburg, North Carolina facility, and we bear a disproportionate amount of working capital risk of loss due to the supply arrangement whereby we control manufacturing on Viance's behalf.

Creditors of these entities have no recourse to our general credit. See "Note 6. Debt - Direct and Subsidiary Debt." As the primary beneficiary of these variable interest entities at June 30, 2016, the joint ventures' assets, liabilities and results of operations are included in our condensed consolidated financial statements.

The following table summarizes the carrying amount of our variable interest entities' assets and liabilities included in our condensed consolidated balance sheets, before intercompany eliminations, as of June 30, 2016 and our consolidated balance sheets as of December 31, 2015 (dollars in millions):

|                                    | <b>June 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|------------------------------------|--------------------------|------------------------------|
| Current assets                     | \$ 91                    | \$ 121                       |
| Property, plant and equipment, net | 295                      | 307                          |
| Other noncurrent assets            | 112                      | 95                           |
| Deferred income taxes              | 35                       | 35                           |
| Intangible assets                  | 34                       | 36                           |
| Goodwill                           | 13                       | 13                           |
| <b>Total assets</b>                | <b>\$ 580</b>            | <b>\$ 607</b>                |
| <br>                               |                          |                              |
| Current liabilities                | \$ 155                   | \$ 159                       |
| Long-term debt                     | 125                      | 140                          |
| Deferred income taxes              | 11                       | 11                           |
| Other noncurrent liabilities       | 55                       | 54                           |
| <b>Total liabilities</b>           | <b>\$ 346</b>            | <b>\$ 364</b>                |

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS**

As of June 30, 2016 and December 31, 2015, accrued restructuring costs by type of cost and initiative consisted of the following (dollars in millions):

|   | Workforce<br>reductions(1) | Demolition and<br>decommissioning | Non-cancelable<br>lease and<br>contract<br>termination<br>costs | Other<br>restructuring<br>costs | Total(2) |
|---|----------------------------|-----------------------------------|---|---------------------------------|----------|
| Accrued liabilities as of January 1, 2016     | \$ 109                     | \$ 16                             | \$ 38   | \$ 5                            | \$ 168   |
| 2016 charges for 2015 and prior initiatives   | 4                          | 1                                 | 1   | 22                              | 28       |
| 2016 charges for 2016 initiatives             | 4                          |                                   |   | 2                               | 6        |
| Reversal of reserves no longer required       | (1)                        |                                   |   |                                 | (1)      |
| Distribution of prefunded restructuring costs | (39)                       | (2)                               |   | (1)                             | (42)     |
| 2016 payments for 2015 and prior initiatives  | (27)                       | (3)                               | (2)   | (22)                            | (54)     |
| 2016 payments for 2016 initiatives            |                            |                                   |   | (2)                             | (2)      |
| Foreign currency effect on liability balance  |                            |                                   | 1   |                                 | 1        |
| Accrued liabilities as of June 30, 2016       | \$ 50                      | \$ 12                             | \$ 38   | \$ 4                            | \$ 104   |

(1) The workforce reduction reserves relate to the termination of 545 positions, of which 485 positions had not been terminated as of June 30, 2016.

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

|                            | June 30,<br>2016 | December 31,<br>2015 |
|----------------------------|------------------|----------------------|
| 2014 and prior initiatives | 86               | 143                  |
| 2015 initiatives           | 14               | 25                   |
| 2016 initiatives           | 4                |                      |
| Total                      | \$ 104           | \$ 168               |

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. 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 | Discontinued Operations | Corporate and Other | Total  |
|---|---------------|----------------------|--------------------|-----------------|----------|-------------------------|---------------------|--------|
| Accrued liabilities as of January 1, 2016     | \$ 5          | \$ 9                 | \$ 4               | \$ 55           | \$ 90    | \$ 1                    | \$ 4                | \$ 168 |
| 2016 charges for 2015 and prior initiatives   |               | 10                   |                    | 4               | 12       |                         | 2                   | 28     |
| 2016 charges for 2016 initiatives             | 2             |                      |                    | 1               | 3        |                         |                     | 6      |
| Reversal of reserves no longer required       |               |                      |                    | (1)             |          |                         |                     | (1)    |
| Distribution of prefunded restructuring costs |               | (4)                  |                    | (2)             | (36)     |                         |                     | (42)   |
| 2016 payments for 2015 and prior initiatives  | (1)           | (12)                 |                    | (6)             | (33)     |                         | (2)                 | (54)   |
| 2016 payments for 2016 initiatives            | (2)           |                      |                    |                 |          |                         |                     | (2)    |
| Foreign currency effect on liability balance  |               |                      |                    | 1               | 1        |                         | (1)                 | 1      |
| Accrued liabilities as of June 30, 2016       | \$ 4          | \$ 3                 | \$ 4               | \$ 52           | \$ 37    | \$ 1                    | \$ 3                | \$ 104 |
| Current portion of restructuring reserves     | \$ 3          | \$ 3                 | \$ 2               | \$ 12           | \$ 31    | \$ 1                    | \$ 3                | \$ 55  |
| Long-term portion of restructuring reserves   | 1             |                      | 2                  | 40              | 6        |                         |                     | 49     |

Details with respect to cash and noncash restructuring charges for the three and six months ended June 30, 2016 and 2015 by initiative are provided below (dollars in millions):

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



Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS (Continued)**

|   | <b>Three months<br/>ended<br/>June 30, 2015</b> | <b>Six months<br/>ended<br/>June 30, 2015</b> |
|---|---|---|
| <b>Cash charges:</b>  |   |   |
| 2015 charges for 2014 and prior initiatives                         | \$ 34   | \$ 76   |
| 2015 charges for 2015 initiatives                                   | 20  | 44  |
| Pension related charges   | 3   | 3   |
| Reversal of reserves no longer required                             |   | (1)   |
| Accelerated depreciation  | 47  | 75  |
| Other non-cash charges  | 10  | 10  |
| <b>Total 2015 Restructuring, Impairment and Plant Closing Costs</b> | <b>\$ 114</b>                                   | <b>\$ 207</b>                                 |

**2016 RESTRUCTURING ACTIVITIES**

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

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

On December 1, 2014, we announced a comprehensive restructuring program to improve the global competitiveness of our Pigments and Additives segment. As part of the program, we are reducing our workforce by approximately 900 positions. In connection with this restructuring program, we recorded restructuring expense of \$4 million in the six months ended June 30, 2016.

On March 4, 2015, we announced plans to restructure our color pigments business, another step in our comprehensive restructuring program in our Pigments and Additives segment, and recorded restructuring expense of approximately \$8 million in the six months ended June 30, 2016.

On July 6, 2016, we announced plans to close our Pigments and Additives segment's South African titanium dioxide manufacturing facility. As part of the program, we recorded restructuring expense of approximately \$3 million in the six months ended June 30, 2016. Additionally, we recorded an impairment charge of \$1 million during the second quarter of 2016. The majority of the long-lived assets associated with this manufacturing facility were impaired in the fourth quarter of 2015.

**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

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

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

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

**2015 RESTRUCTURING ACTIVITIES**

In June 2015, our Polyurethanes segment announced a restructuring program in Europe. In connection with this restructuring program, we recorded restructuring expense of \$13 million in the six months ended June 30, 2015 related primarily to workforce reductions.

In June 2015, our Advanced Materials segment initiated a restructuring program in Europe. In connection with this restructuring program, we recorded restructuring expense of \$6 million in the six months ended June 30, 2015 related primarily to workforce reductions and accelerated depreciation recorded as restructuring, impairment and plant closing costs.

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 six months ended June 30, 2015, our Textile Effects segment recorded charges of \$5 million for non-cancelable long-term contract termination costs, \$3 million for decommissioning and \$2 million in other restructuring costs associated with this initiative.

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, during the six months ended June 30, 2015, our Pigments and Additives segment recorded charges of \$50 million for workforce reductions, \$3 million for pension related charges and \$7 million in other restructuring costs associated with this initiative.

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 accelerated depreciation in the six months ended June 30, 2015 of \$73 million as restructuring, impairment and plant closing costs. In addition, during the six months ended June 30, 2015, we recorded charges of \$23 million for workforce reductions and non-cash charges of \$10 million.

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 \$4 million in the six months ended June 30, 2015 related to workforce reductions.



Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. DEBT**

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

**Huntsman Corporation**

|  | June 30,<br>2016 | December 31,<br>2015 |
|--|------------------|----------------------|
| <b>Senior Credit Facilities:</b>               |                  |                      |
| Term loans                                     | \$ 2,435         | \$ 2,454             |
| Amounts outstanding under A/R programs         | 216              | 215                  |
| Senior notes                                   | 1,862            | 1,850                |
| Variable interest entities                     | 142              | 151                  |
| Other  | 94               | 125                  |
| <b>Total debt excluding debt to affiliates</b> | <b>\$ 4,749</b>  | <b>\$ 4,795</b>      |
| <br>   |                  |                      |
| Total current portion of debt                  | \$ 96            | \$ 170               |
| Long-term portion                              | 4,653            | 4,625                |
| <br>   |                  |                      |
| <b>Total debt excluding debt to affiliates</b> | <b>\$ 4,749</b>  | <b>\$ 4,795</b>      |
| <br>   |                  |                      |
| <b>Total debt excluding debt to affiliates</b> | <b>\$ 4,749</b>  | <b>\$ 4,795</b>      |
| Notes payable to affiliates-noncurrent         | 1                | 1                    |
| <br>   |                  |                      |
| <b>Total debt</b>                              | <b>\$ 4,750</b>  | <b>\$ 4,796</b>      |

**Huntsman International**

|  | June 30,<br>2016 | December 31,<br>2015 |
|--|------------------|----------------------|
| <b>Senior Credit Facilities:</b>               |                  |                      |
| Term loans                                     | \$ 2,435         | \$ 2,454             |
| Amounts outstanding under A/R programs         | 216              | 215                  |
| Senior notes                                   | 1,862            | 1,850                |
| Variable interest entities                     | 142              | 151                  |
| Other  | 94               | 125                  |
| <b>Total debt excluding debt to affiliates</b> | <b>\$ 4,749</b>  | <b>\$ 4,795</b>      |

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|   |    |       |    |       |
|---|----|-------|----|-------|
| Total current portion of debt           | \$ | 96    | \$ | 170   |
| Long-term portion                       |    | 4,653 |    | 4,625 |
| Total debt excluding debt to affiliates | \$ | 4,749 | \$ | 4,795 |
|   |    |       |    |       |
| Total debt excluding debt to affiliates | \$ | 4,749 | \$ | 4,795 |
| Notes payable to affiliates-current     |    | 100   |    | 100   |
| Notes payable to affiliates-noncurrent  |    | 697   |    | 698   |
| Total debt                              | \$ | 5,546 | \$ | 5,593 |

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. DEBT (Continued)****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 ("Nonguarantors") and have third-party debt agreements. These debt agreements contain certain restrictions with regard to dividends, distributions, loans or advances. In certain circumstances, the consent of a third party would be required prior to the transfer of any cash or assets from these subsidiaries to us.

**Debt Issuance Costs**

We record debt issuance costs related to a debt liability on the balance sheet as a reduction in the face amount of that debt liability. As of June 30, 2016 and December 31, 2015, the amount of debt issuance costs directly reducing the debt liability was \$64 million and \$67 million, respectively. We record the amortization of debt issuance costs as interest expense.

**Senior Credit Facilities**

As of June 30, 2016, our senior credit facilities ("Senior Credit Facilities") consisted of our revolving credit facility ("Revolving Facility"), our 2015 Extended Term Loan B, our 2014 term loan B facility due 2021 ("2014 Term Loan B"), and our 2016 term loan B facility due 2023 ("2016 Term Loan B") (dollars in millions):

| Facility                  | Committed Amount | Principal Outstanding | Unamortized Discounts and Debt Issuance Costs | Carrying Value | Interest Rate(3)        | Maturity |
|---------------------------|------------------|-----------------------|---|----------------|-------------------------|----------|
| Revolving Facility(1)     | \$ 650           | \$                    | \$  | \$             | USD LIBOR plus 3.00%    | 2021     |
| 2015 Extended Term Loan B | N/A              | 766                   | (4)   | 762            | USD LIBOR plus 3.00%    | 2019     |
| 2014 Term Loan B          | N/A              | 1,182                 | (50)  | 1,132          | USD LIBOR plus 3.00%(2) | 2021     |
| 2016 Term Loan B          | N/A              | 549                   | (8)   | 541            | USD LIBOR plus 3.50%(2) | 2023     |

(1) We had no borrowings outstanding under our Revolving Facility; we had approximately \$16 million (U.S. dollar equivalents) of letters of credit and bank guarantees issued and outstanding under our Revolving Facility.

(2) The 2014 Term Loan B and the 2016 Term Loan B are 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 June 30, 2016, the weighted average interest rate on our outstanding balances under the Senior Credit Facilities was approximately 4%.



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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

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

**6. DEBT (Continued)**

Our obligations under the Senior Credit Facilities are guaranteed by substantially all of our domestic subsidiaries and certain of our foreign subsidiaries (collectively, the "Guarantors"), and are secured by a first priority lien on substantially all of our domestic property, plant and equipment, the stock of all of our material domestic subsidiaries and certain foreign subsidiaries, and pledges of intercompany notes between certain of our subsidiaries.

On July 22, 2016, Huntsman International prepaid \$100 million of the 2015 Extended Term Loan B.

**Amendment to the Credit Agreement**

On April 1, 2016, Huntsman International entered into a fifteenth amendment to the agreement governing the Senior Credit Facilities (the "Credit Agreement"). The amendment provides for a new term loan facility, the 2016 Term Loan B, to refinance existing term loans pursuant to the Credit Agreement in an aggregate principal amount of \$550 million. The net proceeds of the 2016 Term Loan B were used to repay in full Huntsman International's extended term loan B due 2017, our extended term loan B series 2 due 2017 and our term loan C due 2016 ("Term Loan C"). In connection with these repayments, we recorded a loss on early extinguishment of debt of approximately \$2 million in the second quarter of 2016.

The 2016 Term Loan B matures on April 1, 2023, provided that the maturity date will accelerate if we do not repay, refinance or have a minimum level of liquidity available to enable us to repay certain of our senior notes upon maturity. The 2016 Term Loan B is subject to the same terms and conditions as our existing senior secured term loan facilities.

The 2016 Term Loan B bears interest at an interest rate margin of LIBOR plus 3.50% (subject to a 0.75% floor) and amortizes in annual amounts equal to 1% of the principal amount of the 2016 Term Loan B, payable quarterly commencing on June 30, 2016.

The amendment also extends the stated termination date of our Revolving Facility from March 20, 2017 to March 20, 2021, provided that the maturity date will accelerate if we do not repay, refinance or have a minimum level of liquidity available to enable us to repay our 2015 Term Loan B due 2019 or our senior notes upon their maturity. The amendment further increased the committed amount of our Revolving Facility by \$25 million (from \$625 million to \$650 million). Borrowings under the Revolving Facility bear interest at the same rate as the existing revolving commitments. As of June 30, 2016 we had no borrowings under our Revolving Facility.

**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

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. DEBT (Continued)**

incurred by the U.S. SPE and the EU SPE. Information regarding our A/R Programs as of June 30, 2016 was as follows (monetary amounts in millions):

| Facility         | Maturity   | Maximum Funding Availability(1) | Amount Outstanding            | Interest Rate(2)           |
|------------------|------------|---------------------------------|-------------------------------|----------------------------|
| U.S. A/R Program | March 2018 | \$250                           | \$90(3)                       | Applicable rate plus 0.95% |
| EU A/R Program   | March 2018 | €225<br>(approximately \$249)   | €114<br>(approximately \$126) | 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) The applicable rate for our U.S. A/R Program is defined by the lender as either USD LIBOR or CP rate. The applicable rate for our EU A/R Program is either GBP LIBOR, USD LIBOR or EURIBOR. In addition, the U.S. SPE and the EU SPE are obligated to pay unused commitment fees to the lenders based on the amount of each lender's commitment.
- (3) As of June 30, 2016, we had approximately \$7 million (U.S. dollar equivalents) of letters of credit issued and outstanding under our U.S. A/R Program.

As of June 30, 2016 and December 31, 2015, \$492 million and \$438 million, respectively, of accounts receivable were pledged as collateral under our A/R Programs.

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

During the six months ended June 30, 2015, we redeemed or repurchased the following notes (dollars in millions):

| Date of Redemption | Notes                          | Principal Amount of Notes Redeemed | Amount Paid (Excluding Accrued Interest) | Loss on Early Extinguishment of Debt |
|--------------------|--------------------------------|------------------------------------|--|--------------------------------------|
| April 2015         | 2021 Senior Subordinated Notes | \$ 289                             | \$ 311                                   | \$ 20                                |
| January 2015       | 2021 Senior Subordinated Notes | 37                                 | 40                                       | 3                                    |

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

As of June 30, 2016, we had a loan of \$796 million to our subsidiary, Huntsman International (the "Intercompany Note"). The Intercompany Note is unsecured and \$100 million of the outstanding amount is classified as current as of June 30, 2016 on our condensed consolidated balance sheets. As of June 30, 2016, under the terms of the Intercompany Note, Huntsman International promises to pay us interest

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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).

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

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

**6. DEBT (Continued)**

**COMPLIANCE WITH COVENANTS**

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

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

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

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

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

**7. 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.



Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)**

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

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

Our revenues and expenses are denominated in various foreign currencies, and our cash flows and earnings are thus subject to fluctuations due to exchange rate variations. From time to time, we may enter into foreign currency derivative instruments to minimize the short-term impact of movements in foreign currency rates. Where practicable, we generally net multicurrency cash balances among our subsidiaries to help reduce exposure to foreign currency exchange rates. Certain other exposures may be managed from time to time through financial market transactions, principally through the purchase of spot or forward foreign exchange contracts (generally with maturities of one year or less). We do not hedge our foreign currency exposures in a manner that would eliminate the effect of changes in exchange rates on our cash flows and earnings. As of June 30, 2016, we had approximately \$168 million in notional amount (in U.S. dollar equivalents) outstanding in forward foreign currency contracts.

Huntsman International has entered into two interest rate contracts to hedge the variability caused by monthly changes in cash flow due to associated changes in LIBOR under our Senior Credit Facilities. These swaps 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 income (loss) (dollars in millions):

| <b>June 30, 2016</b>  |                       |                 |                   |                       |  |
|-----------------------|-----------------------|-----------------|-------------------|-----------------------|--|
| <b>Notional Value</b> | <b>Effective Date</b> | <b>Maturity</b> | <b>Fixed Rate</b> | <b>Fair Value</b>     |  |
| \$ 50                 | December 2014         | April 2017      | 2.5%              | \$1 current liability |  |
| 50                    | January 2015          | April 2017      | 2.5%              | 1 current 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 4. Variable Interest Entities." The notional amount of the swap as of June 30, 2016 was \$22 million, and the interest rate contract is not designated as a cash flow hedge. As of June 30, 2016, the fair value of the swap was \$2 million and was recorded in noncurrent liabilities on our condensed consolidated balance sheets. For each of the three and six months ended June 30, 2016, we recorded a reduction of interest expense of nil due to changes in fair value of the swap.

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

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

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

In November 2014, we entered into two five year cross-currency interest rate contracts and one eight year cross-currency interest rate contract to swap an aggregate notional \$200 million for an aggregate notional €161 million. This swap is designated as a hedge of net investment for financial reporting purposes. Under the cross-currency interest rate contract, we will receive fixed U.S. dollar payments of \$5 million semiannually on May 15 and November 15 (equivalent to an annual rate of 5.125%) and make interest payments of approximately €3 million (equivalent to an annual rate of approximately 3.6%). As of June 30, 2016, the fair value of this swap was \$26 million and was recorded in noncurrent assets on our condensed consolidated balance sheets.

In March 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 six months ended June 30, 2015, we terminated these cross-currency interest rate contracts and received \$66 million in payments from the counterparties.

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

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

We review our non-U.S. dollar denominated debt and derivative instruments to determine the appropriate amounts designated as hedges. As of June 30, 2016, we have designated approximately €651 million (approximately \$721 million) of euro-denominated debt and cross-currency interest rate contracts as a hedge of our net investment. For the three and six months ended June 30, 2016, the amount of gain (loss) recognized on the hedge of our net investment was \$14 million and \$(7) million, respectively, and was recorded in other comprehensive (loss) income on our condensed consolidated statements of comprehensive income (loss).

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

|   | June 30, 2016  |                      | December 31, 2015 |                      |
|---|----------------|----------------------|-------------------|----------------------|
|   | Carrying Value | Estimated Fair Value | Carrying Value    | Estimated Fair Value |
| Non-qualified employee benefit plan investments | \$ 27          | \$ 27                | \$ 26             | \$ 26                |
| Investments in equity securities                | 18             | 18                   | 18                | 18                   |
| Cross-currency interest rate contracts          | 26             | 26                   | 28                | 28                   |
| Interest rate contracts                         | (4)            | (4)                  | (4)               | (4)                  |
| Long-term debt (including current portion)      | (4,749)        | (4,789)              | (4,795)           | (4,647)              |

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

The fair value estimates presented herein are based on pertinent information available to management as of June 30, 2016 and December 31, 2015. The estimated fair value amounts have not been comprehensively revalued for purposes of these financial statements since June 30, 2016 and current estimates of fair value may differ significantly from the amounts presented herein.

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

| Description                               | June 30, 2016 | Fair Value Amounts Using  |  |   |
|---|---------------|---|--|---|
|   |               | Quoted prices in active markets for identical assets (Level 1)(4) | Significant other observable inputs (Level 2)(4) | Significant unobservable inputs (Level 3) |
| <b>Assets:</b>                            |               |   |  |   |
| Available-for sale equity securities:     |               |   |  |   |
| Equity mutual funds                       | \$ 27         | \$ 27   | \$   | \$  |
| Investments in equity securities(1)       | 18            | 18  |  |   |
| Derivatives:                              |               |   |  |   |
| Cross-currency interest rate contracts(2) | 26            |   |  | 26  |
| <b>Total assets</b>                       | <b>\$ 71</b>  | <b>\$ 45</b>  | <b>\$</b>  | <b>\$ 26</b>                              |
| <b>Liabilities:</b>                       |               |   |  |   |
| Derivatives:                              |               |   |  |   |
| Interest rate contracts(3)                | \$ (4)        | \$  | \$ (4)   | \$  |

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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 8. FAIR VALUE (Continued)

| Description                               | December 31,<br>2015 | Fair Value Amounts Using   |  |  |
|---|----------------------|--|--|--|
|   |                      | Quoted prices<br>in active<br>markets for<br>identical<br>assets<br>(Level 1)(4) | Significant<br>other<br>observable<br>inputs<br>(Level 2)(4) | Significant<br>unobservable<br>inputs<br>(Level 3) |
| <b>Assets:</b>                            |                      |  |  |  |
| Available-for sale equity securities:     |                      |  |  |  |
| Equity mutual funds                       | \$ 26                | \$ 26  | \$   | \$   |
| Investments in equity securities(1)       | 18                   | 18   |  |  |
| Derivatives:                              |                      |  |  |  |
| Cross-currency interest rate contracts(2) | 28                   |  |  | 28   |
| <b>Total assets</b>                       | <b>\$ 72</b>         | <b>\$ 44</b>   | <b>\$</b>  | <b>\$ 28</b>                                       |
| <b>Liabilities:</b>                       |                      |  |  |  |
| Derivatives:                              |                      |  |  |  |
| Interest rate contracts(3)                | \$ (4)               | \$   | \$ (4)   | \$   |

- 
- (1) As of April 1, 2015, we no longer exercise significant influence in our investment in Nippon Aqua Co., Ltd., for which we previously accounted using the equity method. Consequently, we now account for this investment at fair value as an available-for-sale equity security.
- (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, exchange rates, and yield curves at stated intervals. There were no material changes to the valuation methods or assumptions used to determine the fair value during the current period.
- In November 2014, we entered into two five year cross-currency interest rate contracts and one eight year cross-currency interest rate contract. These instruments have been categorized by us as Level 3 within the fair value hierarchy due to unobservable inputs associated with the credit valuation adjustment, which we deemed to be significant inputs to the overall measurement of fair value at inception.
- (3) 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.
- (4)

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There were no transfers between Levels 1 and 2 within the fair value hierarchy for the six months ended June 30, 2016 and the year ended December 31, 2015.

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The following table shows a reconciliation of beginning and ending balances for the three and six months ended June 30, 2016 and 2015 for instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (dollars in millions).

|  | <b>Three months<br/>ended<br/>June 30, 2016<br/>Cross-Currency<br/>Interest<br/>Rate Contracts</b> | <b>Six months<br/>ended<br/>June 30, 2016<br/>Cross-Currency<br/>Interest<br/>Rate Contracts</b> |
|--|--|--|
| <b>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</b> |  |  |
| Beginning balance  | \$ 20  | \$ 28  |
| Transfers into Level 3   |  |  |
| Transfers out of Level 3   |  |  |
| Total gains (losses):  |  |  |
| Included in earnings   |  |  |
| Included in other comprehensive income (loss)                                  | 6  | (2)  |
| Purchases, sales, issuances and settlements                                    |  |  |
| Ending balance, June 30, 2016  | \$ 26  | \$ 26  |

The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at June 30, 2016

\$ \$

|  | <b>Three months<br/>ended<br/>June 30, 2015<br/>Cross-Currency<br/>Interest<br/>Rate Contracts</b> | <b>Six months<br/>ended<br/>June 30, 2015<br/>Cross-Currency<br/>Interest<br/>Rate Contracts</b> |
|--|--|--|
| <b>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</b> |  |  |
| Beginning balance  | \$ 33  | \$ 5   |
| Transfers into Level 3   |  |  |
| Transfers out of Level 3   |  |  |
| Total gains (losses):  |  |  |
| Included in earnings   |  |  |
| Included in other comprehensive income (loss)                                  | (8)  | 20   |
| Purchases, sales, issuances and settlements                                    |  |  |
| Ending balance, June 30, 2015  | \$ 25  | \$ 25  |

The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at June 30, 2015

\$ \$



Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. FAIR VALUE (Continued)**

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

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

|   | Three months ended<br>June 30, 2015 |                                   | Six months ended<br>June 30, 2015 |                                   |
|---|-------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|   | Interest expense                    | Other comprehensive income (loss) | Interest expense                  | Other comprehensive income (loss) |
| Total net gains included in earnings  | \$                                  | \$                                | \$                                | \$                                |
| Changes in unrealized (losses) gains relating to assets still held at June 30, 2015 |                                     |                                   | (8)                               | 20                                |

We also have assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These assets include property, plant and equipment and those associated with acquired businesses, including goodwill and intangible assets. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if one or more is determined to be impaired. During the six months ended June 30, 2016 and 2015, we recorded charges of \$1 million and nil, respectively, for the impairment of long-lived assets.



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Components of the net periodic benefit costs for the three and six months ended June 30, 2016 and 2015 were as follows (dollars in millions):

**Huntsman Corporation**

|                                       | Defined<br>Benefit Plans<br>Three months<br>ended<br>June 30, |       | Other<br>Postretirement<br>Benefit Plans<br>Three months<br>ended<br>June 30, |      |
|---------------------------------------|---|-------|---|------|
|                                       | 2016  | 2015  | 2016  | 2015 |
| Service cost                          | \$ 16   | \$ 17 | \$  | \$ 1 |
| Interest cost                         | 31  | 30    | 1   | 2    |
| Expected return on assets             | (48)  | (49)  |   |      |
| Amortization of prior service benefit | (3)   |       | (1)   | (1)  |
| Amortization of actuarial loss        | 18  | 18    |   | 1    |
| Special termination benefits          |   | 3     |   |      |
| Net periodic benefit cost             | \$ 14   | \$ 19 | \$  | \$ 3 |

|                                       | Defined<br>Benefit Plans<br>Six months<br>ended<br>June 30, |       | Other<br>Postretirement<br>Benefit Plans<br>Six months<br>ended<br>June 30, |      |
|---------------------------------------|---|-------|---|------|
|                                       | 2016  | 2015  | 2016  | 2015 |
| Service cost                          | \$ 32   | \$ 36 | \$ 1  | \$ 2 |
| Interest cost                         | 61  | 61    | 2   | 3    |
| Expected return on assets             | (95)  | (100) |   |      |
| Amortization of prior service benefit | (5)   | (2)   | (3)   | (2)  |
| Amortization of actuarial loss        | 34  | 37    | 1   | 2    |
| Special termination benefits          |   | 3     |   |      |
| Net periodic benefit cost             | \$ 27   | \$ 35 | \$ 1  | \$ 5 |

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. EMPLOYEE BENEFIT PLANS (Continued)****Huntsman International**

|                                       | <b>Defined<br/>Benefit Plans<br/>Three months<br/>ended<br/>June 30,</b> |              | <b>Other<br/>Postretirement<br/>Benefit Plans<br/>Three months<br/>ended<br/>June 30,</b> |             |
|---------------------------------------|--|--------------|---|-------------|
|                                       | <b>2016</b>  | <b>2015</b>  | <b>2016</b>   | <b>2015</b> |
|                                       | Service cost   | \$ 16        | \$ 17   | \$          |
| Interest cost                         | 31   | 30           | 1   | 2           |
| Expected return on assets             | (48)   | (49)         |   |             |
| Amortization of prior service benefit | (3)  |              | (1)   | (1)         |
| Amortization of actuarial loss        | 19   | 20           |   | 1           |
| Special termination benefits          |  | 3            |   |             |
| <b>Net periodic benefit cost</b>      | <b>\$ 15</b>   | <b>\$ 21</b> | <b>\$</b>   | <b>\$ 3</b> |

|                                       | <b>Defined<br/>Benefit Plans<br/>Six months<br/>ended<br/>June 30,</b> |              | <b>Other<br/>Postretirement<br/>Benefit Plans<br/>Six months<br/>ended<br/>June 30,</b> |             |
|---------------------------------------|--|--------------|---|-------------|
|                                       | <b>2016</b>  | <b>2015</b>  | <b>2016</b>   | <b>2015</b> |
|                                       | Service cost   | \$ 32        | \$ 36   | \$ 1        |
| Interest cost                         | 61   | 61           | 2   | 3           |
| Expected return on assets             | (95)   | (100)        |   |             |
| Amortization of prior service benefit | (5)  | (2)          | (3)   | (2)         |
| Amortization of actuarial loss        | 37   | 41           | 1   | 2           |
| Special termination benefits          |  | 3            |   |             |
| <b>Net periodic benefit cost</b>      | <b>\$ 30</b>   | <b>\$ 39</b> | <b>\$ 1</b>   | <b>\$ 5</b> |

During the six months ended June 30, 2016 and 2015, we made contributions to our pension and other postretirement benefit plans of \$38 million and \$55 million, respectively. During the remainder of 2016, we expect to contribute an additional amount of approximately \$36 million to these plans.

**10. HUNTSMAN CORPORATION STOCKHOLDERS' EQUITY****SHARE REPURCHASE PROGRAM**

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On September 29, 2015, our Board of Directors authorized our Company to repurchase up to \$150 million in shares of Huntsman Corporation common stock. Repurchases under this program may be made through open market transactions, in privately negotiated transactions, through accelerated share repurchase programs or by other means. The timing and actual number of shares repurchased depends on a variety of factors, including market conditions. The share repurchase authorization does not have an expiration date and repurchases may be commenced, suspended or discontinued from time

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to time without prior notice. On October 27, 2015, we entered into and funded an accelerated share repurchase agreement to repurchase \$100 million of our common stock that was completed in January 2016 with the purchase of 8.6 million shares. During the three months ended June 30, 2016, we did not repurchase any shares of our outstanding common stock under the repurchase program. As of June 30, 2016, there remained approximately \$50 million of the amount authorized under the program that can be used for repurchases.

**COMMON STOCK DIVIDENDS**

During each of the quarters ended June 30, 2016 and March 31, 2016, we paid dividends of \$30 million, or \$0.125 per share, to common stockholders and during each of the quarters ended June 30, 2015 and March 31, 2015, we paid cash dividends of \$31 million, or \$0.125 per share, to common stockholders.

**11. 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<br>currency<br>translation<br>adjustment(a) | Pension<br>and other<br>postretirement<br>benefits adjustments(b) | Other<br>comprehensive<br>income of<br>unconsolidated<br>affiliates | Other,<br>net | Total      | Amounts<br>attributable<br>to<br>noncontrolling<br>interests | Amounts<br>attributable<br>to<br>Huntsman<br>Corporation |
|--|---|---|---|---------------|------------|--|--|
| Beginning balance, January 1, 2016                                       | \$ (288)  | \$ (1,056)  | \$ 11   | \$ 17         | \$ (1,316) | \$ 28  | \$ (1,288)   |
| Other comprehensive (loss) income before reclassifications, gross        | (30)  |   | (8)   | 2             | (36)       |  | (36)   |
| Tax benefit  | 4   |   |   |               | 4          |  | 4  |
| Amounts reclassified from accumulated other comprehensive loss, gross(c) |   | 27  |   |               | 27         |  | 27   |
| Tax expense  |   | (3)   |   |               | (3)        |  | (3)  |
| Net current-period other comprehensive (loss) income                     | (26)  | 24  | (8)   | 2             | (8)        |  | (8)  |
| Ending balance, June 30, 2016  | \$ (314)  | \$ (1,032)  | \$ 3  | \$ 19         | \$ (1,324) | \$ 28  | \$ (1,296)   |

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

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

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



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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 11. OTHER COMPREHENSIVE (LOSS) INCOME (Continued)

|  | Foreign<br>currency<br>translation<br>adjustment(a) | Pension<br>and other<br>postretirement<br>benefits<br>adjustments(b) | Other<br>comprehensive<br>income of<br>unconsolidated<br>affiliates | Other,<br>net | Total      | Amounts<br>attributable<br>to<br>noncontrolling<br>interests | Amounts<br>attributable<br>to<br>Huntsman<br>Corporation |
|--|---|--|---|---------------|------------|--|--|
| Beginning balance, January 1, 2015                                       | \$ 25   | \$ (1,122)   | \$ 10   | \$ 11         | \$ (1,076) | \$ 23  | \$ (1,053)   |
| Other comprehensive (loss) income before reclassifications, gross        | (123)   | (5)  | 9   |               | (119)      | 5  | (114)  |
| Tax expense  | (19)  |  |   |               | (19)       |  | (19)   |
| Amounts reclassified from accumulated other comprehensive loss, gross(c) |   | 35   |   |               | 35         |  | 35   |
| Tax expense  |   | (8)  |   |               | (8)        |  | (8)  |
| Net current-period other comprehensive (loss) income                     | (142)   | 22   | 9   |               | (111)      | 5  | (106)  |
| Ending balance, June 30, 2015  | \$ (117)  | \$ (1,100)   | \$ 19   | \$ 11         | \$ (1,187) | \$ 28  | \$ (1,159)   |

(a) Amounts are net of tax of \$66 and \$47 as of June 30, 2015 and January 1, 2015, respectively.

(b) Amounts are net of tax of \$175 and \$182 as of June 30, 2015 and January 1, 2015, respectively.

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

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



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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 11. OTHER COMPREHENSIVE (LOSS) INCOME (Continued)

|  | Three months<br>ended<br>June 30, 2015<br>Amounts<br>reclassified<br>from accumulated<br>other<br>comprehensive loss | Six months ended<br>June 30, 2015<br>Amounts<br>reclassified<br>from accumulated<br>other<br>comprehensive loss | Affected line item<br>in the statement<br>where net income<br>is presented |
|--|--|---|--|
| <b>Details about Accumulated Other Comprehensive Loss Components(a):</b> |  |   |  |
| Amortization of pension and other postretirement benefits:               |  |   |  |
| Prior service credit   | \$ (2)   | \$ (4)  | (b)  |
| Actuarial loss   | 20   | 39  | (b)(c)   |
| Settlement loss  | 18   | 35  | Total before tax   |
|  | (4)  | (8)   | Income tax<br>expense  |
| <b>Total reclassifications for the period</b>                            | <b>\$ 14</b>   | <b>\$ 27</b>  | Net of tax   |

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

(b) These accumulated other comprehensive loss components are included in the computation of net periodic pension costs. See "Note 9. Employee Benefit Plans."

(c) Amounts contain approximately \$1 million of actuarial losses related to discontinued operations for each of the three months ended June 30, 2016 and 2015 and \$2 million of actuarial losses related to discontinued operations for each of the six months ended June 30, 2016 and 2015.

**Huntsman International**

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



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

- 
- (a) Amounts are net of tax of \$72 and \$76 as of June 30, 2016 and January 1, 2016, respectively.
- (b) Amounts are net of tax of \$159 and \$163 as of June 30, 2016 and January 1, 2016, respectively.
- (c) See table below for details about these reclassifications.

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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 11. OTHER COMPREHENSIVE (LOSS) INCOME (Continued)

|  | Foreign<br>currency<br>translation<br>adjustment(a) | Pension<br>and other<br>postretirement<br>benefits<br>adjustments(b) | Other<br>comprehensive<br>income of<br>unconsolidated<br>affiliates | Other,<br>net | Total      | Amounts<br>attributable<br>to<br>noncontrolling<br>interests | Amounts<br>attributable<br>to<br>Huntsman<br>International |
|--|---|--|---|---------------|------------|--|--|
| Beginning balance, January 1, 2015                                       | \$ 22   | \$ (1,147)   | \$ 10   | \$ 5          | \$ (1,110) | \$ 23  | \$ (1,087)   |
| Other comprehensive (loss) income before reclassifications, gross        | (124)   | (5)  | 9   |               | (120)      | 5  | (115)  |
| Tax expense  | (19)  |  |   |               | (19)       |  | (19)   |
| Amounts reclassified from accumulated other comprehensive loss, gross(c) |   | 39   |   |               | 39         |  | 39   |
| Tax expense  |   | (8)  |   |               | (8)        |  | (8)  |
| Net current-period other comprehensive (loss) income                     | (143)   | 26   | 9   |               | (108)      | 5  | (103)  |
| Ending balance, June 30, 2015  | \$ (121)  | \$ (1,121)   | \$ 19   | \$ 5          | \$ (1,218) | \$ 28  | \$ (1,190)   |

- (a) Amounts are net of tax of \$53 and \$34 as of June 30, 2015 and January 1, 2015, respectively.
- (b) Amounts are net of tax of \$204 and \$211 as of June 30, 2015 and January 1, 2015, respectively.
- (c) See table below for details about these reclassifications.

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



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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 11. OTHER COMPREHENSIVE (LOSS) INCOME (Continued)

|  | Three months<br>ended<br>June 30, 2015<br>Amounts<br>reclassified<br>from accumulated<br>other<br>comprehensive loss | Six months ended<br>June 30, 2015<br>Amounts<br>reclassified<br>from accumulated<br>other<br>comprehensive loss | Affected line item<br>in the statement<br>where net income<br>is presented |
|--|--|---|--|
| <b>Details about Accumulated Other Comprehensive Loss Components(a):</b> |  |   |  |
| Amortization of pension and other postretirement benefits:               |  |   |  |
| Prior service credit   | \$ (2)   | \$ (4)  | (b)  |
| Actuarial loss   | 22   | 43  | (b)(c)   |
|  | 20   | 39  | Total before tax   |
|  | (4)  | (8)   | Income tax<br>expense  |
| <b>Total reclassifications for the period</b>                            | <b>\$ 16</b>   | <b>\$ 31</b>  | Net of tax   |

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

(b) These accumulated other comprehensive loss components are included in the computation of net periodic pension costs. See "Note 9. Employee Benefit Plans."

(c) Amounts contain approximately \$1 million of actuarial losses related to discontinued operations for each of the three months ended June 30, 2016 and 2015 and \$2 million of actuarial losses related to discontinued operations for each of the six months ended June 30, 2016 and 2015.

## 12. COMMITMENTS AND CONTINGENCIES

## LEGAL MATTERS

## Antitrust Matters

We were named as a defendant in consolidated class action civil antitrust suits filed on February 9 and 12, 2010 in the U.S. District Court for the District of Maryland alleging that we and our co-defendants and other alleged co-conspirators conspired to fix prices of titanium dioxide sold in the U.S. between at least March 1, 2002 and the present. The other defendants named in this matter were DuPont, Kronos and Cristal (formerly Millennium). On August 28, 2012, the court certified a class consisting of all U.S. customers who purchased titanium dioxide directly from the defendants (the "Direct Purchasers") since February 1, 2003. On December 13, 2013, we and all other defendants settled the Direct

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Purchasers litigation and the court approved the settlement. We paid the settlement in an amount immaterial to our condensed consolidated financial statements.

On November 22, 2013, we were named as a defendant in a civil antitrust suit filed in the U.S. District Court for the District of Minnesota brought by a Direct Purchaser who opted out of the Direct Purchasers class litigation (the "Opt-Out Litigation"). On April 21, 2014, the court severed the claims against us from the other defendants sued and ordered our case transferred to the U.S. District Court for the Southern District of Texas. Subsequently, Kronos, another defendant, was also severed from the Minnesota case and claims against it were transferred and consolidated for trial with our case in the Southern District of Texas. On February 26, 2016, we reached an agreement to settle the Opt-Out

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

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

**12. COMMITMENTS AND CONTINGENCIES (Continued)**

Litigation for an amount immaterial to our condensed consolidated financial statements. The case was subsequently dismissed on March 9, 2016.

We were also named as a defendant in a class action civil antitrust suit filed on March 15, 2013 in the U.S. District Court for the Northern District of California by the purchasers of products made from titanium dioxide (the "Indirect Purchasers") making essentially the same allegations as did the Direct Purchasers. On October 14, 2014, plaintiffs filed their Second Amended Class Action Complaint narrowing the class of plaintiffs to those merchants and consumers of architectural coatings containing titanium dioxide. On August 11, 2015, the court granted our motion to dismiss the Indirect Purchasers litigation with leave to amend the complaint. A Third Amended Class Action Complaint was filed on September 29, 2015 further limiting the class to consumers of architectural paints. Plaintiffs have raised state antitrust claims under the laws of 15 states, consumer protection claims under the laws of 9 states, and unjust enrichment claims under the laws of 16 states. On November 4, 2015, we and our co-defendants filed another motion to dismiss. On June 13, 2016, the court substantially denied the motion to dismiss except as to consumer protection claims in one state. The Indirect Purchasers plaintiffs seek to recover injunctive relief, treble damages or the maximum damages allowed by state law, costs of suit and attorneys' fees. We are not aware of any illegal conduct by us or any of our employees. Nevertheless, we have incurred costs relating to this claim and could incur additional costs in amounts which in the aggregate could be material to us. Because of the overall complexity of this case, we are unable to reasonably estimate any possible loss or range of loss and we have made no accrual with respect to this claim.

**Product Delivery Claim**

We have been notified by a customer of potential claims related to our alleged delivery of a different product than the one the customer had ordered. Our customer claims that it was unaware that the different product had been delivered until after that product had been used to manufacture materials which were subsequently sold. Originally, the customer stated that it had been notified of claims by its customers of up to an aggregate of €153 million (approximately \$169 million) relating to this matter and claimed that we may be responsible for all or a portion of these potential claims. Our customer has since resolved some of these claims and the aggregate amount of the current claims is now approximately €113 million (approximately \$125 million). Based on the facts currently available, we believe that we are insured for any liability we may ultimately have in excess of \$10 million. However, no assurance can be given regarding our ultimate liability or costs. We believe our range of possible loss in this matter is between €0 and €113 million (approximately \$125 million), and we have made no accrual with respect to this matter.

**Indemnification Matters**

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

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

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

**12. COMMITMENTS AND CONTINGENCIES (Continued)**

On July 14, 2014, the Banks demanded that we indemnify them for additional claims brought against them by certain other former Company stockholders in litigation filed June 14, 2014 in the United States District Court for the Eastern District of Wisconsin (the "Wisconsin Litigation"). The stockholders in the Wisconsin Litigation have made essentially the same factual allegations as MatlinPatterson made in the Texas Litigation and, additionally, have named Apollo Global Management LLC and Apollo Management Holdings, L.P. as defendants. Stockholder plaintiffs in the Wisconsin Litigation assert claims for misrepresentation and conspiracy to defraud. On June 30, 2016, the plaintiffs voluntarily dismissed the Apollo defendants and filed responses to the Banks' previously filed motions to dismiss. We denied the Banks' indemnification demand for both the Texas Litigation and the Wisconsin Litigation.

**Other Proceedings**

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

**13. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS**

**EHS CAPITAL EXPENDITURES**

We may incur future costs for capital improvements and general compliance under EHS laws, including costs to acquire, maintain and repair pollution control equipment. For the six months ended June 30, 2016 and 2015, our capital expenditures for EHS matters totaled \$22 million and \$56 million, respectively. Because capital expenditures for these matters are subject to evolving regulatory requirements and depend, in part, on the timing, promulgation and enforcement of specific requirements, our capital expenditures for EHS matters have varied significantly from year to year and we cannot provide assurance that our recent expenditures are indicative of future amounts we may spend related to EHS and other applicable laws.

**ENVIRONMENTAL RESERVES**

We have accrued liabilities relating to anticipated environmental cleanup obligations, site reclamation and closure costs and known penalties. Liabilities are recorded when potential liabilities are either known or considered probable and can be reasonably estimated. Our liability estimates are calculated using present value techniques as appropriate and are based upon requirements placed upon us by regulators, available facts, existing technology and past experience. The environmental liabilities do not include amounts recorded as asset retirement obligations. We had accrued \$38 million for environmental liabilities as of both June 30, 2016 and December 31, 2015. Of these amounts, \$5 million and \$6 million were classified as accrued liabilities in our consolidated balance sheets as of June 30, 2016 and December 31, 2015, respectively, and \$33 million and \$32 million were classified as other noncurrent liabilities in our consolidated balance sheets for June 30, 2016 and December 31, 2015, respectively. In certain cases, our remediation liabilities may be payable over periods of up to 30 years.

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

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

**13. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)**

We may incur losses for environmental remediation in excess of the amounts accrued; however, we are not able to estimate the amount or range of such potential excess.

**ENVIRONMENTAL MATTERS**

Under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and similar state laws, a current or former owner or operator of real property in the U.S. may be liable for remediation costs regardless of whether the release or disposal of hazardous substances was in compliance with law at the time it occurred, and a current owner or operator may be liable regardless of whether it owned or operated the facility at the time of the release. Outside the U.S., analogous contaminated property laws, such as those in effect in France and Australia, can hold past owners and/or operators liable for remediation at former facilities. Currently, there are approximately 10 former facilities or third-party sites in the U.S. for which we have been notified of potential claims against us for cleanup liabilities, including, but not limited to, sites listed under CERCLA. Based on current information and past experiences at other CERCLA sites, we do not expect these third-party claims to have a material impact on our condensed consolidated financial statements.

Under the Resource Conservation and Recovery Act ("RCRA") in the U.S. and similar state laws, we may be required to remediate contamination originating from our properties as a condition to our hazardous waste permit. Some of our manufacturing sites have an extended history of industrial chemical manufacturing and use, including on-site waste disposal. We are aware of soil, groundwater or surface contamination from past operations at some of our sites, and we may find contamination at other sites in the future. For example, our Port Neches, Texas, and Geismar, Louisiana, facilities are the subject of ongoing remediation requirements imposed under RCRA. Similar laws exist in a number of locations in which we currently operate, or previously operated, manufacturing facilities, such as Australia, India, France, Hungary and Italy.

**West Footscray Remediation**

By letter dated March 7, 2006, our former Base Chemicals and Polymers facility in West Footscray, Australia was issued a cleanup notice by the Environmental Protection Authority Victoria ("EPA Victoria") due to concerns about soil and groundwater contamination emanating from the site. On August 23, 2010, EPA Victoria revoked a second cleanup notice and issued a revised notice that included a requirement for financial assurance for the remediation. As of June 30, 2016, we had an accrued liability of approximately \$16 million related to estimated environmental remediation costs at this site. We can provide no assurance that the authority will not seek to institute additional requirements for the site or that additional costs will not be required for the cleanup.

**North Maybe Mine Remediation**

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



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portion of the site and are currently engaged in that process. At this time, we are unable to reasonably estimate our potential liabilities at this site.

**Port Neches Flaring Matter**

As part of the Environmental Protection Agency's (the "EPA") national enforcement initiative on flaring operations and by letter dated October 12, 2012, the U.S. Department of Justice (the "DOJ") notified us that we were in violation of the Clear Air Act ("CAA") based on our response to a 2010 CAA Section 114 Information Request. The EPA has used the enforcement initiative to bring similar actions against refiners and other chemical manufacturers and has sought to collect civil penalties in excess of \$100,000. Specifically, the EPA alleged violations at our Port Neches, Texas facility from 2007-2012 for flare operations not consistent with good pollution control practice and not in compliance with certain flare-related regulations. As a result of these findings, the EPA referred this matter to the DOJ. We provided a formal response to the DOJ and the EPA with a supplemental data submission on April 29, 2013. We have been engaged in discussions with the DOJ and the EPA regarding these alleged violations and conducted field trials on an alternate flare monitoring method beginning in September 2014. We are currently unable to determine the likelihood or magnitude of any potential penalty or injunctive relief that may be incurred in resolving this matter.

**14. STOCK-BASED COMPENSATION PLANS**

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

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

|  | Three months<br>ended<br>June 30, |      | Six months<br>ended<br>June 30, |       |
|--|-----------------------------------|------|---------------------------------|-------|
|  | 2016                              | 2015 | 2016                            | 2015  |
| Huntsman Corporation compensation cost   | \$ 9                              | \$ 8 | \$ 17                           | \$ 17 |
| Huntsman International compensation cost | 9                                 | 8    | 16                              | 16    |

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The total income tax benefit recognized in the statements of operations for us and Huntsman International for stock-based compensation arrangements was \$3 million each for the six months ended June 30, 2016 and 2015.

**STOCK OPTIONS**

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

|  | Three months<br>ended June 30, |      | Six months<br>ended June 30, |           |
|--|--------------------------------|------|------------------------------|-----------|
|  | 2016                           | 2015 | 2016                         | 2015      |
| Dividend yield   | 3.3%                           | N/A  | 5.6%                         | 2.2%      |
| Expected volatility                                      | 57.7%                          | N/A  | 57.9%                        | 58.0%     |
| Risk-free interest rate                                  | 1.5%                           | N/A  | 1.4%                         | 1.4%      |
| Expected life of stock options granted during the period | 5.9 years                      | N/A  | 5.9 years                    | 5.9 years |

During the three months ended June 30, 2015, no stock options were granted.

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

| Option Awards                  | Shares<br>(in thousands) | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term<br>(years) | Aggregate<br>Intrinsic<br>Value<br>(in millions) |
|--------------------------------|--------------------------|--|--|--|
| Outstanding at January 1, 2016 | 9,544                    | \$ 15.51                                 |  |  |
| Granted                        | 2,964                    | 8.91                                     |  |  |
| Exercised                      | (30)                     | 4.53                                     |  |  |
| Forfeited                      | (1,036)                  | 19.89                                    |  |  |
| Outstanding at June 30, 2016   | 11,442                   | 13.44                                    | 5.9  | \$ 34  |
| Exercisable at June 30, 2016   | 7,513                    | 14.09                                    | 4.2  | 20   |

The weighted-average grant-date fair value of stock options granted during the six months ended June 30, 2016 was \$2.97 per option. As of June 30, 2016, there was \$14 million of total unrecognized compensation cost related to nonvested stock option arrangements granted under the 2016 Stock Incentive Plan and the Prior Plan. That cost is expected to be recognized over a weighted-average period of approximately 2.1 years.



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The total intrinsic value of stock options exercised during the six months ended both June 30, 2016 and 2015 was approximately nil.

**NONVESTED SHARES**

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

The fair value of each performance share unit award is estimated using a Monte Carlo simulation model that uses various assumptions, including an expected volatility rate and a risk-free interest rate. For the six months ended June 30, 2016 and 2015, the weighted-average expected volatility rate was 39.3% and 30.0%, respectively and the weighted average risk-free interest rate was 0.9% and 0.7%, respectively. For the performance share unit awards granted in the six months ended June 30, 2016 and 2015 the number of shares earned varies based upon the Company achieving certain performance criteria over two-year and three-year performance periods. The performance criteria are total stockholder return of our common stock relative to the total stockholder return of a specified industry peer group for the two-year and three-year performance periods.

A summary of the status of our nonvested shares as of June 30, 2016 and changes during the six months then ended is presented below:

|                              | Equity Awards            |   | Liability Awards         |   |
|------------------------------|--------------------------|---|--------------------------|---|
|                              | Shares<br>(in thousands) | Weighted<br>Average<br>Grant-Date<br>Fair Value | Shares<br>(in thousands) | Weighted<br>Average<br>Grant-Date<br>Fair Value |
| Nonvested at January 1, 2016 | 1,854                    | \$ 19.97  | 475                      | \$ 21.37  |
| Granted                      | 1,873                    | 9.23  | 703                      | 8.95  |
| Vested                       | (658)(1)                 | 19.85   | (229)                    | 20.65   |
| Forfeited                    | (39)                     | 18.10   | (21)                     | 17.38   |
| Nonvested at June 30, 2016   | 3,030                    | 13.37   | 928                      | 12.23   |

(1)

As of June 30, 2016, a total of 454,900 restricted stock units were vested but not yet issued, of which 60,948 vested during the six months ended June 30, 2016. These shares have not been reflected as vested shares in this table because, in accordance with the restricted stock unit agreements, shares of common stock are not issued for vested restricted stock units until termination of employment.

As of June 30, 2016, there was \$35 million of total unrecognized compensation cost related to nonvested share compensation arrangements granted under the 2016 Stock Incentive Plan and the Prior Plan. That cost is expected to be recognized over a weighted-average period of approximately 2.2 years. The value of share awards that vested during the six months ended June 30, 2016 and 2015 was \$15 million and \$20 million, respectively.



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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

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

**15. INCOME TAXES**

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

During the six months ended June 30, 2016 and 2015, for unrecognized tax benefits that impact tax expense, we recorded a net increase in unrecognized tax benefits and a corresponding income tax expense of \$1 million and a net decrease in unrecognized benefits and a corresponding income tax benefit of \$6 million, respectively. Additional increases and decreases in unrecognized tax benefits were offset by cash settlements or decreases in net deferred tax assets and, therefore, did not affect income tax expense.

**Huntsman Corporation**

We recorded income tax expense of \$59 million and \$36 million for the six months ended June 30, 2016 and 2015, respectively. Our tax expense is significantly affected by the mix of income and losses in the tax jurisdictions in which we operate, as impacted by the presence of valuation allowances in certain tax jurisdictions. Notably, we continue to earn a significant portion of our pre-tax income in the United States with an approximate 35% federal and state blended effective tax rate.

**Huntsman International**

Huntsman International recorded income tax expense of \$58 million and \$37 million for the six months ended June 30, 2016 and 2015, respectively. Our tax expense is significantly affected by the mix of income and losses in the tax jurisdictions in which we operate, as impacted by the presence of valuation allowances in certain tax jurisdictions. Notably, we continue to earn a significant portion of our pre-tax income in the United States with an approximate 35% federal and state blended effective tax rate.

**16. NET INCOME PER SHARE**

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

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****16. NET INCOME PER SHARE (Continued)**

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

|  | Three months<br>ended<br>June 30, |       | Six months<br>ended<br>June 30, |       |
|--|-----------------------------------|-------|---------------------------------|-------|
|  | 2016                              | 2015  | 2016                            | 2015  |
| <b>Numerator:</b>  |                                   |       |                                 |       |
| <b>Basic and diluted income from continuing operations:</b>            |                                   |       |                                 |       |
| Income from continuing operations attributable to Huntsman Corporation | \$ 88                             | \$ 31 | \$ 145                          | \$ 38 |
| <b>Basic and diluted net income:</b>                                   |                                   |       |                                 |       |
| Net income attributable to Huntsman Corporation                        | \$ 87                             | \$ 29 | \$ 143                          | \$ 34 |
| <b>Denominator:</b>  |                                   |       |                                 |       |
| Weighted average shares outstanding                                    | 236.3                             | 244.1 | 236.2                           | 244.0 |
| Dilutive shares:   |                                   |       |                                 |       |
| Stock-based awards   | 3.2                               | 3.4   | 2.1                             | 3.3   |
| Total weighted average shares outstanding, including dilutive shares   | 239.5                             | 247.5 | 238.3                           | 247.3 |

Additional stock-based awards of 5.9 million and 2.2 million weighted average equivalent shares of stock were outstanding during the three months ended June 30, 2016 and 2015, respectively, and 7.8 million and 2.7 million weighted average equivalent shares of stock were outstanding during the six months ended June 30, 2016 and 2015, respectively. However, these stock-based awards were not included in the computation of diluted earnings per share for the three and six months ended June 30, 2016 and 2015 because the effect would be anti-dilutive.

**17. OPERATING SEGMENT INFORMATION**

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

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

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

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Pigments and Additives titanium dioxide, functional additives, color pigments,  
timber treatment and water treatment chemicals

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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 17. OPERATING SEGMENT INFORMATION (Continued)

Sales between segments are generally recognized at external market prices and are eliminated in consolidation. Adjusted EBITDA is presented as a measure of the financial performance of our global business units and for reporting the results of our operating segments. The adjusted EBITDA of operating segments excludes items that principally apply to our Company as a whole. The revenues and adjusted EBITDA for each of our reportable operating segments are as follows (dollars in millions):

|  | Three months<br>ended<br>June 30, |          | Six months<br>ended<br>June 30, |          |
|--|-----------------------------------|----------|---------------------------------|----------|
|  | 2016                              | 2015     | 2016                            | 2015     |
| <b>Revenues:</b>   |                                   |          |                                 |          |
| Polyurethanes  | \$ 976                            | \$ 995   | \$ 1,812                        | \$ 1,885 |
| Performance Products   | 566                               | 675      | 1,102                           | 1,331    |
| Advanced Materials   | 261                               | 282      | 527                             | 572      |
| Textile Effects  | 198                               | 216      | 383                             | 422      |
| Pigments and Additives   | 576                               | 592      | 1,116                           | 1,164    |
| Corporate and eliminations   | (33)                              | (20)     | (41)                            | (45)     |
| Total  | \$ 2,544                          | \$ 2,740 | \$ 4,899                        | \$ 5,329 |
| <b>Segment adjusted EBITDA(1):</b>                                       |                                   |          |                                 |          |
| <b>Huntsman Corporation:</b>   |                                   |          |                                 |          |
| Polyurethanes  | \$ 171                            | \$ 159   | \$ 302                          | \$ 264   |
| Performance Products   | 86                                | 141      | 178                             | 262      |
| Advanced Materials   | 58                                | 58       | 118                             | 116      |
| Textile Effects  | 24                                | 23       | 42                              | 40       |
| Pigments and Additives   | 31                                | 35       | 46                              | 56       |
| Corporate and other(2)   | (45)                              | (31)     | (87)                            | (68)     |
| Total  | 325                               | 385      | 599                             | 670      |
| <b>Reconciliation of adjusted EBITDA to net income:</b>                  |                                   |          |                                 |          |
| Interest expense, net  | (50)                              | (53)     | (100)                           | (109)    |
| Income tax expense continuing operations                                 | (32)                              | (34)     | (59)                            | (36)     |
| Income tax benefit (expense) discontinued operations                     |                                   | (1)      | 1                               | (2)      |
| Depreciation and amortization  | (109)                             | (99)     | (209)                           | (194)    |
| Net income attributable to noncontrolling interests                      | 7                                 | 10       | 13                              | 20       |
| Other adjustments:   |                                   |          |                                 |          |
| Acquisition and integration expenses and purchase accounting adjustments | (4)                               | (12)     | (13)                            | (21)     |
| EBITDA of discontinued operations  | (1)                               | (1)      | (3)                             | (2)      |
| Loss on disposition of business/assets                                   |                                   | (1)      |                                 | (1)      |
| Loss on early extinguishment of debt                                     | (2)                               | (20)     | (2)                             | (23)     |
| Certain legal settlements and related expenses                           |                                   | (1)      | (1)                             | (2)      |
| Amortization of pension and postretirement actuarial losses              | (17)                              | (19)     | (33)                            | (37)     |
| Net plant incident remediation credits                                   | 7                                 |          | 6                               |          |
| Restructuring, impairment and plant closing and transition costs         | (30)                              | (115)    | (43)                            | (209)    |
| Net income   | \$ 94                             | \$ 39    | \$ 156                          | \$ 54    |



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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 17. OPERATING SEGMENT INFORMATION (Continued)

|  | Three months<br>ended June 30, |              | Six months<br>ended June 30, |              |
|--|--------------------------------|--------------|------------------------------|--------------|
|  | 2016                           | 2015         | 2016                         | 2015         |
| <b>Huntsman International:</b>   |                                |              |                              |              |
| <b>Segment adjusted EBITDA(1):</b>                                       |                                |              |                              |              |
| Polyurethanes  | \$ 171                         | \$ 159       | \$ 302                       | \$ 264       |
| Performance Products   | 86                             | 141          | 178                          | 262          |
| Advanced Materials   | 58                             | 58           | 118                          | 116          |
| Textile Effects  | 24                             | 23           | 42                           | 40           |
| Pigments and Additives   | 31                             | 35           | 46                           | 56           |
| Corporate and other(2)   | (43)                           | (30)         | (85)                         | (65)         |
| <b>Total</b>   | <b>327</b>                     | <b>386</b>   | <b>601</b>                   | <b>673</b>   |
| <b>Reconciliation of adjusted EBITDA to net income:</b>                  |                                |              |                              |              |
| Interest expense, net  | (53)                           | (56)         | (106)                        | (114)        |
| Income tax expense continuing operations                                 | (31)                           | (34)         | (58)                         | (37)         |
| Income tax benefit (expense) discontinued operations                     |                                | (1)          | 1                            | (2)          |
| Depreciation and amortization  | (106)                          | (95)         | (203)                        | (187)        |
| Net income attributable to noncontrolling interests                      | 7                              | 10           | 13                           | 20           |
| Other adjustments:   |                                |              |                              |              |
| Acquisition and integration expenses and purchase accounting adjustments | (4)                            | (12)         | (13)                         | (21)         |
| EBITDA of discontinued operations  | (1)                            | (1)          | (3)                          | (2)          |
| Loss on disposition of business/assets                                   |                                | (1)          |                              | (1)          |
| Loss on early extinguishment of debt                                     | (2)                            | (20)         | (2)                          | (23)         |
| Certain legal settlements and related expenses                           |                                | (1)          | (1)                          | (2)          |
| Amortization of pension and postretirement actuarial losses              | (21)                           | (21)         | (37)                         | (41)         |
| Net plant incident remediation credits                                   | 7                              |              | 6                            |              |
| Restructuring, impairment and plant closing and transition costs         | (30)                           | (115)        | (43)                         | (209)        |
| <b>Net income</b>  | <b>\$ 93</b>                   | <b>\$ 39</b> | <b>\$ 155</b>                | <b>\$ 54</b> |

(1)

Beginning in the second quarter of 2016, we used segment adjusted EBITDA as the measure of each segment's profit or loss. We believe that adjusted EBITDA more accurately reflects what management uses to make decisions about resources to be allocated to the segments and assess their financial performance. We have restated the measure of each segment's profit or loss in the prior periods disclosed to reflect adjusted EBITDA.

Segment adjusted EBITDA is defined as net income of Huntsman Corporation or Huntsman International, as appropriate, before interest, income tax, depreciation and amortization, net income attributable to noncontrolling interests and certain Corporate and other items, as well as eliminating the following adjustments: (a) acquisition and integration expenses and purchase accounting adjustments; (b) EBITDA from discontinued operations; (c) loss on disposition of businesses/assets; (d) loss on early extinguishment of debt; (e) certain legal settlements and related



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**HUNTSMAN CORPORATION AND SUBSIDIARIES**

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**

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

**17. OPERATING SEGMENT INFORMATION (Continued)**

expenses; (f) amortization of pension and postretirement actuarial losses; (g) net plant incident remediation credits; and (h) restructuring, impairment, plant closing and transition costs.

(2)

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

**18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION OF HUNTSMAN INTERNATIONAL LLC**

The following unaudited condensed consolidating financial statements present, in separate columns, financial information for the following: Huntsman International (on a parent only basis), with its investment in subsidiaries recorded under the equity method; the Guarantors on a combined, and where appropriate, consolidated basis; and the Nonguarantors on a combined, and where appropriate, consolidated basis. Additional columns present eliminating adjustments and consolidated totals as of June 30, 2016 and December 31, 2015 and for the three and six months ended June 30, 2016 and 2015. There are no contractual restrictions limiting transfers of cash from the Guarantors to Huntsman International. Each of the Guarantors is 100% owned by Huntsman International and has fully and unconditionally guaranteed, subject to certain customary release provisions, Huntsman International's outstanding notes on a joint and several basis.

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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION OF HUNTSMAN INTERNATIONAL LLC (Continued)

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEETS**  
**AS OF JUNE 30, 2016**  
(In Millions)

|   | Parent<br>Company | Guarantors | Nonguarantors | Eliminations | Consolidated<br>Huntsman<br>International<br>LLC |
|---|-------------------|------------|---------------|--------------|--|
| <b>ASSETS</b>                                     |                   |            |               |              |  |
| <b>Current assets:</b>                            |                   |            |               |              |  |
| Cash and cash equivalents                         | \$ 111            | \$ 1       | \$ 261        | \$           | \$ 373   |
| Restricted cash                                   |                   |            | 10            |              | 10   |
| Accounts and notes receivable, net                | 31                | 114        | 1,383         | 4            | 1,532  |
| Accounts receivable from affiliates               | 1,709             | 4,595      | 160           | (6,135)      | 329  |
| Inventories                                       | 97                | 286        | 1,143         | (4)          | 1,522  |
| Prepaid expenses                                  | 21                | 8          | 36            | (11)         | 54   |
| Other current assets                              | 822               | 5          | 183           | (731)        | 279  |
| <b>Total current assets</b>                       | 2,791             | 5,009      | 3,176         | (6,877)      | 4,099  |
| Property, plant and equipment, net                | 454               | 1,433      | 2,459         | 1            | 4,347  |
| Investment in unconsolidated affiliates           | 6,044             | 1,714      | 255           | (7,678)      | 335  |
| Intangible assets, net                            | 30                | 3          | 65            |              | 98   |
| Goodwill  | (13)              | 82         | 54            |              | 123  |
| Deferred income taxes                             | 473               |            | 419           | (485)        | 407  |
| Notes receivable from affiliates                  | 37                | 548        |               | (585)        |  |
| Other noncurrent assets                           | 71                | 215        | 311           | (1)          | 596  |
| <b>Total assets</b>                               | \$ 9,887          | \$ 9,004   | \$ 6,739      | \$ (15,625)  | \$ 10,005  |
| <b>LIABILITIES AND EQUITY</b>                     |                   |            |               |              |  |
| <b>Current liabilities:</b>                       |                   |            |               |              |  |
| Accounts payable                                  | \$ 44             | \$ 167     | \$ 748        | \$ 4         | \$ 963   |
| Accounts payable to affiliates                    | 3,507             | 871        | 1,814         | (6,135)      | 57   |
| Accrued liabilities                               | 71                | 803        | 467           | (742)        | 599  |
| Note payable to affiliate                         | 100               |            |               |              | 100  |
| Current portion of debt                           | 26                |            | 70            |              | 96   |
| <b>Total current liabilities</b>                  | 3,748             | 1,841      | 3,099         | (6,873)      | 1,815  |
| Long-term debt                                    | 4,272             |            | 381           |              | 4,653  |
| Notes payable to affiliates                       | 696               |            | 586           | (585)        | 697  |
| Deferred income taxes                             | 24                | 307        | 49            | 82           | 462  |
| Other noncurrent liabilities                      | 160               | 267        | 785           |              | 1,212  |
| <b>Total liabilities</b>                          | 8,900             | 2,415      | 4,900         | (7,376)      | 8,839  |
| <b>Equity</b>                                     |                   |            |               |              |  |
| <b>Huntsman International LLC members' equity</b> |                   |            |               |              |  |
| Members' equity                                   | 3,209             | 4,505      | 3,449         | (7,954)      | 3,209  |
| Accumulated (deficit) income                      | (901)             | 642        | (455)         | (187)        | (901)  |

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|   |          |          |          |             |           |
|---|----------|----------|----------|-------------|-----------|
| Accumulated other comprehensive (loss) income           | (1,321)  | 1,442    | (1,311)  | (131)       | (1,321)   |
| <b>Total Huntsman International LLC members' equity</b> | 987      | 6,589    | 1,683    | (8,272)     | 987       |
| Noncontrolling interests in subsidiaries                |          |          | 156      | 23          | 179       |
| <b>Total equity</b>                                     | 987      | 6,589    | 1,839    | (8,249)     | 1,166     |
| <b>Total liabilities and equity</b>                     | \$ 9,887 | \$ 9,004 | \$ 6,739 | \$ (15,625) | \$ 10,005 |

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**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEETS**  
**AS OF DECEMBER 31, 2015**  
(In Millions)

|   | Parent<br>Company | Guarantors | Nonguarantors | Eliminations | Consolidated<br>Huntsman<br>International<br>LLC |
|---|-------------------|------------|---------------|--------------|--|
| <b>ASSETS</b>                                     |                   |            |               |              |  |
| <b>Current assets:</b>                            |                   |            |               |              |  |
| Cash and cash equivalents                         | \$ 44             | \$ 1       | \$ 212        | \$           | \$ 257   |
| Restricted cash                                   |                   |            | 12            |              | 12   |
| Accounts and notes receivable, net                | 21                | 96         | 1,298         | 5            | 1,420  |
| Accounts receivable from affiliates               | 2,163             | 4,730      | 163           | (6,716)      | 340  |
| Inventories                                       | 101               | 322        | 1,275         | (6)          | 1,692  |
| Prepaid expenses                                  | 49                | 31         | 91            | (60)         | 111  |
| Other current assets                              | 790               | 8          | 212           | (704)        | 306  |
| <b>Total current assets</b>                       | 3,168             | 5,188      | 3,263         | (7,481)      | 4,138  |
| Property, plant and equipment, net                | 473               | 1,433      | 2,503         | 1            | 4,410  |
| Investment in unconsolidated affiliates           | 5,991             | 1,558      | 263           | (7,465)      | 347  |
| Intangible assets, net                            | 32                | 3          | 51            |              | 86   |
| Goodwill  | (13)              | 82         | 47            |              | 116  |
| Deferred income taxes                             | 473               |            | 430           | (485)        | 418  |
| Notes receivable from affiliates                  | 36                | 539        | 6             | (581)        |  |
| Other noncurrent assets                           | 71                | 223        | 279           |              | 573  |
| <b>Total assets</b>                               | \$ 10,231         | \$ 9,026   | \$ 6,842      | \$ (16,011)  | \$ 10,088  |
| <b>LIABILITIES AND EQUITY</b>                     |                   |            |               |              |  |
| <b>Current liabilities:</b>                       |                   |            |               |              |  |
| Accounts payable                                  | \$ 50             | \$ 207     | \$ 772        | \$ 5         | \$ 1,034   |
| Accounts payable to affiliates                    | 3,905             | 973        | 1,891         | (6,717)      | 52   |
| Accrued liabilities                               | 74                | 793        | 581           | (765)        | 683  |
| Note payable to affiliate                         | 100               |            |               |              | 100  |
| Current portion of debt                           | 89                |            | 81            |              | 170  |
| <b>Total current liabilities</b>                  | 4,218             | 1,973      | 3,325         | (7,477)      | 2,039  |
| Long-term debt                                    | 4,229             |            | 396           |              | 4,625  |
| Notes payable to affiliates                       | 703               |            | 576           | (581)        | 698  |
| Deferred income taxes                             | 24                | 276        | 36            | 82           | 418  |
| Other noncurrent liabilities                      | 160               | 241        | 819           | 4            | 1,224  |
| <b>Total liabilities</b>                          | 9,334             | 2,490      | 5,152         | (7,972)      | 9,004  |
| <b>Equity</b>                                     |                   |            |               |              |  |
| <b>Huntsman International LLC members' equity</b> |                   |            |               |              |  |
| Members' equity                                   | 3,196             | 4,517      | 3,394         | (7,911)      | 3,196  |
| Accumulated (deficit) income                      | (983)             | 652        | (557)         | (95)         | (983)  |



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|   |           |          |          |             |           |
|---|-----------|----------|----------|-------------|-----------|
| Accumulated other comprehensive (loss) income           | (1,316)   | 1,367    | (1,311)  | (56)        | (1,316)   |
| <b>Total Huntsman International LLC members' equity</b> | 897       | 6,536    | 1,526    | (8,062)     | 897       |
| Noncontrolling interests in subsidiaries                |           |          | 164      | 23          | 187       |
| <b>Total equity</b>                                     | 897       | 6,536    | 1,690    | (8,039)     | 1,084     |
| <b>Total liabilities and equity</b>                     | \$ 10,231 | \$ 9,026 | \$ 6,842 | \$ (16,011) | \$ 10,088 |

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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION OF HUNTSMAN INTERNATIONAL LLC (Continued)

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE  
INCOME (LOSS)  
THREE MONTHS ENDED JUNE 30, 2016  
(In Millions)

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

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|   |    |    |    |     |     |     |    |       |    |    |
|---|----|----|----|-----|-----|-----|----|-------|----|----|
| Comprehensive income attributable to noncontrolling interests   |    |    |    | (1) | (4) | (5) |    |       |    |    |
| Comprehensive income attributable to Huntsman International LLC | \$ | 51 | \$ | 133 | \$  | 14  | \$ | (147) | \$ | 51 |

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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION OF HUNTSMAN INTERNATIONAL LLC (Continued)

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE  
INCOME (LOSS)  
THREE MONTHS ENDED JUNE 30, 2015  
(In Millions)

|  | Parent<br>Company | Guarantors   | Nonguarantors  | Eliminations   | Consolidated<br>Huntsman<br>International<br>LLC |
|--|-------------------|--------------|----------------|----------------|--|
| <b>Revenues:</b>   |                   |              |                |                |  |
| Trade sales, services and fees, net                                  | \$ 268            | \$ 658       | \$ 1,771       | \$             | \$ 2,697   |
| Related party sales  | 71                | 137          | 290            | (455)          | 43   |
| <b>Total revenues</b>  | <b>339</b>        | <b>795</b>   | <b>2,061</b>   | <b>(455)</b>   | <b>2,740</b>                                     |
| <b>Cost of goods sold</b>  | <b>258</b>        | <b>594</b>   | <b>1,796</b>   | <b>(457)</b>   | <b>2,191</b>                                     |
| <b>Gross profit</b>  | <b>81</b>         | <b>201</b>   | <b>265</b>     | <b>2</b>       | <b>549</b>                                       |
| Selling, general and administrative                                  | 39                | 56           | 153            |                | 248  |
| Research and development   | 11                | 12           | 18             |                | 41   |
| Other operating (income) expense                                     | (1)               | (11)         | 10             |                | (2)  |
| Restructuring, impairment and plant closing costs                    | 1                 | 4            | 109            |                | 114  |
| <b>Operating income (loss)</b>                                       | <b>31</b>         | <b>140</b>   | <b>(25)</b>    | <b>2</b>       | <b>148</b>                                       |
| Interest (expense) income  | (56)              | 8            | (8)            |                | (56)   |
| Equity in income (loss) of investment in affiliates and subsidiaries | 73                | (23)         | 3              | (50)           | 3  |
| Loss on early extinguishment of debt                                 | (20)              |              |                |                | (20)   |
| Other (loss) income  |                   | (1)          | 2              | (1)            |  |
| <b>Income (loss) from continuing operations before income taxes</b>  | <b>28</b>         | <b>124</b>   | <b>(28)</b>    | <b>(49)</b>    | <b>75</b>  |
| Income tax benefit (expense)   | 2                 | (49)         | 13             |                | (34)   |
| <b>Income (loss) from continuing operations</b>                      | <b>30</b>         | <b>75</b>    | <b>(15)</b>    | <b>(49)</b>    | <b>41</b>  |
| Loss from discontinued operations, net of tax                        | (1)               | (1)          |                |                | (2)  |
| <b>Net income (loss)</b>   | <b>29</b>         | <b>74</b>    | <b>(15)</b>    | <b>(49)</b>    | <b>39</b>  |
| Net income attributable to noncontrolling interests                  |                   |              | (5)            | (5)            | (10)   |
| <b>Net income (loss) attributable to Huntsman International LLC</b>  | <b>\$ 29</b>      | <b>\$ 74</b> | <b>\$ (20)</b> | <b>\$ (54)</b> | <b>\$ 29</b>                                     |
| <b>Net income (loss)</b>   | <b>\$ 29</b>      | <b>\$ 74</b> | <b>\$ (15)</b> | <b>\$ (49)</b> | <b>\$ 39</b>                                     |
| Other comprehensive income   | 58                | 109          | 55             | (162)          | 60   |

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|   |    |    |    |     |     |      |    |       |    |    |
|---|----|----|----|-----|-----|------|----|-------|----|----|
| Comprehensive income attributable to noncontrolling interests   |    |    |    | (7) | (5) | (12) |    |       |    |    |
| Comprehensive income attributable to Huntsman International LLC | \$ | 87 | \$ | 183 | \$  | 33   | \$ | (216) | \$ | 87 |

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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION OF HUNTSMAN INTERNATIONAL LLC (Continued)

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE  
INCOME (LOSS)  
SIX MONTHS ENDED JUNE 30, 2016  
(In Millions)

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

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

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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION OF HUNTSMAN INTERNATIONAL LLC (Continued)

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE  
INCOME (LOSS)  
SIX MONTHS ENDED JUNE 30, 2015  
(In Millions)

|  | Parent<br>Company | Guarantors | Nonguarantors | Eliminations | Consolidated<br>Huntsman<br>International<br>LLC |
|--|-------------------|------------|---------------|--------------|--|
| <b>Revenues:</b>   |                   |            |               |              |  |
| Trade sales, services and fees, net                                  | \$ 525            | \$ 1,237   | \$ 3,495      | \$           | \$ 5,257   |
| Related party sales  | 139               | 259        | 557           | (883)        | 72   |
| <b>Total revenues</b>  | 664               | 1,496      | 4,052         | (883)        | 5,329  |
| <b>Cost of goods sold</b>  | 519               | 1,173      | 3,519         | (883)        | 4,328  |
| <b>Gross profit</b>  | 145               | 323        | 533           |              | 1,001  |
| Selling, general and administrative                                  | 84                | 96         | 312           |              | 492  |
| Research and development   | 22                | 22         | 39            |              | 83   |
| Other operating (income) expense                                     | (29)              | (10)       | 30            |              | (9)  |
| Restructuring, impairment and plant closing costs                    | 1                 | 4          | 202           |              | 207  |
| <b>Operating income (loss)</b>                                       | 67                | 211        | (50)          |              | 228  |
| Interest (expense) income  | (113)             | 16         | (17)          |              | (114)  |
| Equity in income (loss) of investment in affiliates and subsidiaries | 98                | (39)       | 5             | (59)         | 5  |
| Loss on early extinguishment of debt                                 | (23)              |            |               |              | (23)   |
| Other income (loss)  | 1                 | (8)        | 7             | (1)          | (1)  |
| <b>Income (loss) from continuing operations before income taxes</b>  | 30                | 180        | (55)          | (60)         | 95   |
| Income tax benefit (expense)   | 6                 | (72)       | 29            |              | (37)   |
| <b>Income (loss) from continuing operations</b>                      | 36                | 108        | (26)          | (60)         | 58   |
| Loss from discontinued operations, net of tax                        | (2)               | (1)        | (1)           |              | (4)  |
| <b>Net income (loss)</b>   | 34                | 107        | (27)          | (60)         | 54   |
| Net income attributable to noncontrolling interests                  |                   |            | (13)          | (7)          | (20)   |
| <b>Net income (loss) attributable to Huntsman International LLC</b>  | \$ 34             | \$ 107     | \$ (40)       | \$ (67)      | \$ 34  |
| <b>Net income (loss)</b>   | \$ 34             | \$ 107     | \$ (27)       | \$ (60)      | \$ 54  |
| Other comprehensive (loss) income                                    | (103)             | 182        | (115)         | (72)         | (108)  |



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|  |    |      |     |     |      |       |    |       |    |      |
|--|----|------|-----|-----|------|-------|----|-------|----|------|
| Comprehensive income attributable to noncontrolling interests          |    |      | (7) | (8) | (15) |       |    |       |    |      |
| Comprehensive (loss) income attributable to Huntsman International LLC | \$ | (69) | \$  | 289 | \$   | (149) | \$ | (140) | \$ | (69) |

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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION OF HUNTSMAN INTERNATIONAL LLC (Continued)

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS  
SIX MONTHS ENDED JUNE 30, 2016  
(In Millions)

|  | Parent<br>Company | Guarantors | Nonguarantors | Eliminations | Consolidated<br>Huntsman<br>International<br>LLC |
|--|-------------------|------------|---------------|--------------|--|
| <b>Net cash provided by operating activities</b>           | \$ 227            | \$ 63      | \$ 151        | \$           | \$ 441   |
| <b>Investing activities:</b>                               |                   |            |               |              |  |
| Capital expenditures                                       | (11)              | (63)       | (115)         |              | (189)  |
| Insurance proceeds for recovery of property damage         |                   |            | 8             |              | 8  |
| Cash received from unconsolidated affiliates               |                   | 19         |               |              | 19   |
| Investment in affiliate                                    | (46)              | 5          |               | 41           |  |
| Investment in unconsolidated affiliates                    |                   | (13)       | (1)           |              | (14)   |
| Change in restricted cash                                  |                   |            | 2             |              | 2  |
| <b>Net cash used in investing activities</b>               | (57)              | (52)       | (106)         | 41           | (174)  |
| <b>Financing activities:</b>                               |                   |            |               |              |  |
| Net borrowings on overdraft facilities                     |                   |            | (1)           |              | (1)  |
| Repayments of short-term debt                              |                   |            | (18)          |              | (18)   |
| Borrowings on short-term debt                              |                   |            | 6             |              | 6  |
| Repayments of long-term debt                               | (569)             |            | (13)          |              | (582)  |
| Proceeds from issuance of long-term debt                   | 547               |            |               |              | 547  |
| Repayments of notes payable to affiliate                   | (1)               |            |               |              | (1)  |
| Proceeds from notes payable to affiliate                   |                   |            | 6             | (6)          |  |
| Repayments of notes payable                                | (15)              |            | (1)           |              | (16)   |
| Borrowings on notes payable                                | 2                 |            |               |              | 2  |
| Debt issuance costs paid                                   | (8)               |            |               |              | (8)  |
| Dividends paid to noncontrolling interests                 |                   |            | (13)          | (8)          | (21)   |
| Contribution from parent                                   |                   | 3          | 53            | (56)         |  |
| Distribution to parent                                     |                   | (14)       | (15)          | 29           |  |
| Dividends paid to parent                                   | (60)              |            |               |              | (60)   |
| Other, net   | 1                 |            |               |              | 1  |
| <b>Net cash (used in) provided by financing activities</b> | (103)             | (11)       | 4             | (41)         | (151)  |
| Effect of exchange rate changes on cash                    |                   |            |               |              |  |
| Increase in cash and cash equivalents                      | 67                |            | 49            |              | 116  |
| Cash and cash equivalents at beginning of period           | 44                | 1          | 212           |              | 257  |
| Cash and cash equivalents at end of period                 | \$ 111            | \$ 1       | \$ 261        | \$           | \$ 373   |

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

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## HUNTSMAN CORPORATION AND SUBSIDIARIES

## HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION OF HUNTSMAN INTERNATIONAL LLC (Continued)

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED JUNE 30, 2015**  
(In Millions)

|  | Parent<br>Company | Guarantors | Nonguarantors | Eliminations | Consolidated<br>Huntsman<br>International<br>LLC |
|--|-------------------|------------|---------------|--------------|--|
| <b>Net cash (used in) provided by operating activities</b>               | \$ (112)          | \$ 113     | \$ 181        | \$ (1)       | \$ 181   |
| <b>Investing activities:</b>   |                   |            |               |              |  |
| Capital expenditures   | (39)              | (112)      | (145)         |              | (296)  |
| Cash received from unconsolidated affiliates                             |                   | 25         |               |              | 25   |
| Investment in affiliate  | (59)              |            |               | 59           |  |
| Investment in unconsolidated affiliates                                  |                   | (20)       | (12)          |              | (32)   |
| Acquisition of businesses, net of cash acquired                          |                   |            | (15)          |              | (15)   |
| Cash received from purchase price adjustment for business acquired       | 18                |            |               |              | 18   |
| Proceeds from sale of businesses/assets                                  |                   |            | 1             |              | 1  |
| Increase in receivable from affiliate                                    | (4)               |            |               |              | (4)  |
| Cash received from termination of cross-currency interest rate contracts | 66                |            |               |              | 66   |
| <b>Net cash (used in) provided by investing activities</b>               | (18)              | (107)      | (171)         | 59           | (237)  |
| <b>Financing activities:</b>   |                   |            |               |              |  |
| Net repayments on overdraft facilities                                   |                   |            | (2)           |              | (2)  |
| Repayments of short-term debt  |                   |            | (17)          |              | (17)   |
| Repayments of long-term debt   | (346)             |            | (42)          |              | (388)  |
| Proceeds from issuance of long-term debt                                 | 326               |            |               |              | 326  |
| Repayments of notes payable to affiliate                                 | (50)              |            |               |              | (50)   |
| Proceeds from issuance of notes payable from affiliate                   | 195               |            |               |              | 195  |
| Repayments of notes payable  | (14)              |            | (1)           |              | (15)   |
| Borrowings on notes payable  |                   |            | 1             |              | 1  |
| Debt issuance costs paid   | (5)               |            |               |              | (5)  |
| Call premiums related to early extinguishment of debt                    | (26)              |            |               |              | (26)   |
| Contingent consideration paid for acquisition                            | (4)               |            |               |              | (4)  |
| Contribution from parent   |                   | 4          | 73            | (77)         |  |
| Distribution to parent   |                   | (14)       | (7)           | 21           |  |
| Dividends paid to noncontrolling interests                               |                   |            |               | (4)          | (4)  |
| Dividends paid to parent   | (61)              | (1)        |               | 1            | (61)   |
| Excess tax benefit related to stock-based compensation                   | 1                 |            |               |              | 1  |
| Other, net   |                   |            | (2)           | 1            | (1)  |
| <b>Net cash provided by (used in) financing activities</b>               | 16                | (11)       | 3             | (58)         | (50)   |
| Effect of exchange rate changes on cash                                  |                   |            | (7)           |              | (7)  |
| <b>(Decrease) increase in cash and cash equivalents</b>                  | (114)             | (5)        | 6             |              | (113)  |
| Cash and cash equivalents at beginning of period                         | 353               | 6          | 351           |              | 710  |

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|  |    |     |    |   |    |     |    |     |
|--|----|-----|----|---|----|-----|----|-----|
| Cash and cash equivalents at end of period | \$ | 239 | \$ | 1 | \$ | 357 | \$ | 597 |
|--|----|-----|----|---|----|-----|----|-----|

During the six months ended June 30, 2015, we made a noncash capital contribution of approximately \$284 million between Guarantor and Nonguarantor entities and a noncash capital contribution of approximately \$123 million between Parent Company and Guarantor entities.

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

**FORWARD-LOOKING STATEMENTS**

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

All forward-looking statements, including without limitation management's examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them, but there can be no assurance that management's expectations, beliefs and projections will result or be achieved. All forward-looking statements apply only as of the date made. We undertake no obligation to publicly update or revise forward-looking statements whether because of new information, future events or otherwise, except as required by securities and other applicable law.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this report. Any forward-looking statements should be considered in light of the risks set forth in "Part II. Item 1A. Risk Factors" below and "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015.

**OVERVIEW**

**Business**

We operate in five segments: Polyurethanes, Performance Products, Advanced Materials, Textile Effects and Pigments and Additives. Our products comprise a broad range of chemicals and formulations, which we market globally to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, personal care and hygiene, durable and non-durable consumer products, 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,

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textile chemicals, dyes, titanium dioxide and color pigments. Our revenues for the six months ended June 30, 2016 and 2015 were \$4,899 million and \$5,329 million, respectively.

**RECENT DEVELOPMENTS**

**Prepayment of Debt**

On July 22, 2016, Huntsman International prepaid \$100 million of the 2015 Extended Term Loan B. For more information, see "Note 6. Debt Direct and Subsidiary Debt" to our condensed consolidated financial statements.

**Sale of European Surfactants Manufacturing Facilities**

On July 29, 2016, Huntsman Investments (Netherlands) BV ("HIBV"), a wholly-owned subsidiary of Huntsman Corporation, entered into an Exclusivity and Put Option Agreement (the "Put Option Agreement") with Innospec International LTD ("Innospec"), a wholly-owned subsidiary of Innospec Inc. The Put Option Agreement, together with a Share and Asset Purchase Agreement in an agreed form and attached thereto as an exhibit (the "Purchase Agreement," and together with the Put Option Agreement, the "Acquisition Agreements"), set forth the terms of a commitment from Innospec to purchase HIBV's European surfactants manufacturing facilities and related assets for an enterprise value of \$225 million. Pursuant to the terms of the Acquisition Agreements, HIBV would retain its accounts receivable and certain trade payables. The purchase price would also be subject to additional working capital and other adjustments (the "Transaction"). Pursuant to the terms of the Acquisition Agreements, Innospec, upon exercise of the Put Option Agreement by HIBV and following satisfaction of closing conditions referred to below, would acquire HIBV's manufacturing facilities located in Saint-Mihiel, France; Castiglione delle Stiviere, Italy; and Barcelona, Spain and HIBV would enter into supply and long-term tolling arrangements with Innospec to continue supplying certain surfactants and other key products globally.

The Acquisition Agreements contain customary representations, warranties, and covenants and provide for indemnification rights with respect to a breach of a representation, warranty or covenant by either party, as well as for other specified matters.

The Transaction is subject to the satisfaction or waiver of customary closing conditions, including, among others: (i) the representative bodies consultation processes required by French legislation, (ii) clearance by any applicable competition law authorities, and (iii) the absence of a change that has had or is reasonably likely to have a material adverse effect on the business. The Acquisition Agreements also contain certain customary termination rights for each of HIBV and Innospec.

The foregoing description of the terms of the Acquisition Agreements is qualified in its entirety by reference to such Agreements, which will be filed subsequently with the Securities and Exchange Commission.

The Acquisition Agreements will be included to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual information about HIBV. The representations, warranties and covenants contained in the Acquisition Agreements were made only for purposes of such Agreements and as of specific dates, were solely for the benefit of the parties to such Agreements, and may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the Acquisition Agreements. The representations and warranties may have been made for the purposes of allocating contractual risk between the parties to the Acquisition Agreements instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

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**OUTLOOK**

Our second quarter 2016 results reflect our continued focus on three strategic priorities: first, generating free cash flow of more than \$350 million in 2016; second, growing margins and earnings in our core downstream differentiated businesses; and third, separating our titanium dioxide business.

We believe that we are well positioned to accomplish these objectives. With an increased focus on inventory management, we generated strong free cash flow in the second quarter. We are expanding margins in our MDI urethanes business and have healthy margins in our Performance Products and Advanced Materials segments.

We are actively pursuing a separation of our Pigments and Additives segment and are currently exploring a spin-off of this segment, potentially combined with other of our businesses, to our stockholders. We are experiencing improved business conditions within the Pigments and Additives segment and we believe we will be well positioned for a separation. Our ability to effect such spin-off or any alternative strategic transaction is subject to, among other things, market conditions and the approval of our Board of Directors.

The following is a summary of the key trends expected in our business segments:

**Polyurethanes:**

Continued focus on downstream MDI differentiation

MDI demand growth

Low MTBE margins

**Performance Products:**

Benefit from self-help business optimization

Long term margin improvement

Benefit of growth projects, such as ethylene oxide expansion in the U.S. and polyetheramines expansion in Singapore

Relatively low ethylene margins

**Advanced Materials:**

Strong aerospace market more than one-third of earnings

**Textile Effects:**

Third quarter 2016 seasonal moderation in demand

**Pigments and Additives:**



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Increasing titanium dioxide selling prices

Second half 2016 seasonality in demand

In 2016, we expect to spend approximately \$450 million on capital expenditures.

We expect our full year 2016 adjusted effective tax rate to be approximately 25%-30%. Our MTBE earnings are taxed at the U.S. statutory rate of 35%, and variability in our MTBE earnings will have a meaningful impact on where our adjusted tax rate will be within that range. We expect our long-term adjusted effective tax rate will be approximately 30%.

Table of Contents**RESULTS OF OPERATIONS**

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

**Huntsman Corporation**

|  | Three months ended<br>June 30, |          |                   | Six months ended<br>June 30, |          |                   |
|--|--------------------------------|----------|-------------------|------------------------------|----------|-------------------|
|  | 2016                           | 2015     | Percent<br>Change | 2016                         | 2015     | Percent<br>Change |
| <b>Revenues</b>  | \$ 2,544                       | \$ 2,740 | (7)%              | \$ 4,899                     | \$ 5,329 | (8)%              |
| <b>Cost of goods sold</b>  | 2,087                          | 2,191    | (5)%              | 4,026                        | 4,330    | (7)%              |
| <b>Gross profit</b>  | 457                            | 549      | (17)%             | 873                          | 999      | (13)%             |
| Operating expenses   | 252                            | 289      | (13)%             | 517                          | 569      | (9)%              |
| Restructuring, impairment and plant closing costs                        | 29                             | 114      | (75)%             | 42                           | 207      | (80)%             |
| <b>Operating income</b>  | 176                            | 146      | 21%               | 314                          | 223      | 41%               |
| Interest expense, net  | (50)                           | (53)     | (6)%              | (100)                        | (109)    | (8)%              |
| Equity in income of investment in unconsolidated affiliates              | 2                              | 3        | (33)%             | 3                            | 5        | (40)%             |
| Loss on early extinguishment of debt                                     | (2)                            | (20)     | (90)%             | (2)                          | (23)     | (91)%             |
| Other income (loss)  | 1                              | (1)      | NM                | 2                            | (2)      | NM                |
| <b>Income from continuing operations before income taxes</b>             | 127                            | 75       | 69%               | 217                          | 94       | 131%              |
| Income tax expense   | (32)                           | (34)     | (6)%              | (59)                         | (36)     | 64%               |
| <b>Income from continuing operations</b>                                 | 95                             | 41       | 132%              | 158                          | 58       | 172%              |
| Loss from discontinued operations, net of tax                            | (1)                            | (2)      | (50)%             | (2)                          | (4)      | (50)%             |
| <b>Net income</b>  | 94                             | 39       | 141%              | 156                          | 54       | 189%              |
| <b>Reconciliation of net income to adjusted EBITDA:</b>                  |                                |          |                   |                              |          |                   |
| Net income attributable to noncontrolling interests                      | (7)                            | (10)     | (30)%             | (13)                         | (20)     | (35)%             |
| Interest expense, net  | 50                             | 53       | (6)%              | 100                          | 109      | (8)%              |
| Income tax expense from continuing operations                            | 32                             | 34       | (6)%              | 59                           | 36       | 64%               |
| Income tax (benefit) expense from discontinued operations                |                                | 1        | (100)%            | (1)                          | 2        | NM                |
| Depreciation and amortization  | 109                            | 99       | 10%               | 209                          | 194      | 8%                |
| Other adjustments:   |                                |          |                   |                              |          |                   |
| Acquisition and integration expenses and purchase accounting adjustments | 4                              | 12       |                   | 13                           | 21       |                   |
| EBITDA from discontinued operations                                      | 1                              | 1        |                   | 3                            | 2        |                   |
| Loss on disposition of business/assets                                   |                                | 1        |                   |                              | 1        |                   |
| Loss on early extinguishment of debt                                     | 2                              | 20       |                   | 2                            | 23       |                   |
| Certain legal settlements and related expenses                           |                                | 1        |                   | 1                            | 2        |                   |
| Amortization of pension and postretirement actuarial losses              | 17                             | 19       |                   | 33                           | 37       |                   |
| Net plant incident remediation credits                                   | (7)                            |          |                   | (6)                          |          |                   |
| Restructuring, impairment and plant closing and transition costs         | 30                             | 115      |                   | 43                           | 209      |                   |
| <b>Adjusted EBITDA(1)</b>  | \$ 325                         | \$ 385   | (16)%             | \$ 599                       | \$ 670   | (11)%             |
| Net cash provided by operating activities                                |                                |          |                   | \$ 443                       | \$ 181   | 145%              |
| Net cash used in investing activities                                    |                                |          |                   | (174)                        | (233)    | (25)%             |
| Net cash used in financing activities                                    |                                |          |                   | (153)                        | (202)    | (24)%             |
| Capital expenditures   |                                |          |                   | (189)                        | (296)    | (36)%             |



Table of Contents**Huntsman International**

|   | Three months ended<br>June 30, |          |                   | Six months ended<br>June 30, |          |                   |
|---|--------------------------------|----------|-------------------|------------------------------|----------|-------------------|
|   | 2016                           | 2015     | Percent<br>Change | 2016                         | 2015     | Percent<br>Change |
| <b>Revenues</b>   | \$ 2,544                       | \$ 2,740 | (7)%              | \$ 4,899                     | \$ 5,329 | (8)%              |
| <b>Cost of goods sold</b>                                   | 2,086                          | 2,191    | (5)%              | 4,024                        | 4,328    | (7)%              |
| <b>Gross profit</b>   | 458                            | 549      | (17)%             | 875                          | 1,001    | (13)%             |
| Operating expenses  | 252                            | 287      | (12)%             | 515                          | 566      | (9)%              |
| Restructuring, impairment and plant closing costs           | 29                             | 114      | (75)%             | 42                           | 207      | (80)%             |
| <b>Operating income</b>                                     | 177                            | 148      | 20%               | 318                          | 228      | 39%               |
| Interest expense, net                                       | (53)                           | (56)     | (5)%              | (106)                        | (114)    | (7)%              |
| Equity in income of investment in unconsolidated affiliates | 2                              | 3        | (33)%             | 3                            | 5        | (40)%             |
| Loss on early extinguishment of debt                        | (2)                            | (20)     | (90)%             | (2)                          | (23)     | (91)%             |
| Other income (loss)   | 1                              |          | NM                | 2                            |          |                   |