

Huntsman CORP
Form 10-Q
July 31, 2018
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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, 2018

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 10003 Woodloch Forest Drive The Woodlands, Texas 77380 (281) 719-6000	Delaware	42 1648585
333 85141	Huntsman International LLC 10003 Woodloch Forest Drive The Woodlands, Texas 77380 (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

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Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Huntsman Corporation
Huntsman International LLC

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

Huntsman Corporation	YES	NO
Huntsman International LLC	YES	NO

On July 23, 2018, 238,867,443 shares of common stock of Huntsman Corporation were outstanding and 2,728 units of membership interests of Huntsman International LLC were outstanding. There is no trading market for Huntsman International LLC’s units of membership interests. All of Huntsman International LLC’s units of membership interests are held by Huntsman Corporation.

This Quarterly Report on Form 10-Q presents information for two registrants: Huntsman Corporation and Huntsman International LLC. Huntsman International LLC is a wholly-owned subsidiary of Huntsman Corporation and is the principal operating company of Huntsman Corporation. The information reflected in this Quarterly Report on Form 10-Q is equally applicable to both Huntsman Corporation and Huntsman International LLC, except where

otherwise indicated. Huntsman International LLC meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and, to the extent applicable, is therefore filing this form with a reduced disclosure format.

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10 Q FOR THE QUARTERLY PERIOD

ENDED JUNE 30, 2018

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FORWARD LOOKING STATEMENTS

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

All forward looking statements, including without limitation any projections derived from 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 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, 2017.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Millions, Except Share and Per Share Amounts)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents(a)	\$ 408	\$ 470
Restricted cash(a)	1	11
Accounts and notes receivable (net of allowance for doubtful accounts of \$25 for both), (\$391 and \$334 pledged as collateral, respectively)(a)	1,355	1,256
Accounts receivable from affiliates	22	27
Inventories(a)	1,178	1,073
Prepaid expenses	59	60
Other current assets(a)	192	202
Current assets held for sale	3,158	2,880
Total current assets	6,373	5,979
Property, plant and equipment, net(a)	3,014	3,098
Investment in unconsolidated affiliates	296	266
Intangible assets, net(a)	118	56
Goodwill	393	140
Deferred income taxes	299	208
Other noncurrent assets(a)	561	497
Total assets	\$ 11,054	\$ 10,244
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable(a)	\$ 962	\$ 946
Accounts payable to affiliates	31	18
Accrued liabilities(a)	469	569
Current portion of debt(a)	255	40
Current liabilities held for sale	1,578	1,692
Total current liabilities	3,295	3,265
Long-term debt(a)	2,311	2,258
Deferred income taxes	293	264
Other noncurrent liabilities(a)	1,085	1,086
Total liabilities	6,984	6,873

Commitments and contingencies (Notes 15 and 16)

Equity

Huntsman Corporation stockholders' equity:

Common stock \$0.01 par value, 1,200,000,000 shares authorized, 255,764,896 and 252,759,715 shares issued and 238,525,273 and 240,213,606 shares outstanding, respectively

	3	3
Additional paid-in capital	3,977	3,889
Treasury stock, 17,239,625 and 12,607,223 shares, respectively	(288)	(150)
Unearned stock-based compensation	(22)	(15)
Retained earnings	724	161
Accumulated other comprehensive loss	(1,330)	(1,268)
Total Huntsman Corporation stockholders' equity	3,064	2,620
Noncontrolling interests in subsidiaries	1,006	751
Total equity	4,070	3,371
Total liabilities and equity	\$ 11,054	\$ 10,244

- (a) At June 30, 2018 and December 31, 2017, respectively, \$9 and \$15 of cash and cash equivalents, nil and \$11 of restricted cash, \$35 each of accounts and notes receivable (net), \$55 and \$46 of inventories, \$6 and \$7 of other current assets, \$258 and \$283 of property, plant and equipment (net), \$10 each of intangible assets (net), \$55 and \$43 of other noncurrent assets, \$94 and \$109 of accounts payable, \$29 and \$32 of accrued liabilities, \$23 and \$21 of current portion of debt, \$74 and \$86 of long term debt, and \$98 each of other noncurrent liabilities from consolidated variable interest entities are included in the respective balance sheet captions above. See "Note 6. 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 ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenues:				
Trade sales, services and fees, net	\$ 2,367	\$ 2,020	\$ 4,622	\$ 3,911
Related party sales	37	34	77	75
Total revenues	2,404	2,054	4,699	3,986
Cost of goods sold	1,849	1,618	3,604	3,160
Gross profit	555	436	1,095	826
Operating expenses:				
Selling, general and administrative	207	193	399	385
Research and development	38	34	76	68
Restructuring, impairment and plant closing costs	1	3	3	12
Merger costs	1	6	1	6
Other operating expense (income), net	9	(7)	21	(14)
Total operating expenses	256	229	500	457
Operating income	299	207	595	369
Interest expense	(29)	(47)	(56)	(95)
Equity in income of investment in unconsolidated affiliates	18	3	31	3
Loss on early extinguishment of debt	(3)	(1)	(3)	(1)
Other income, net	8	—	15	4
Income from continuing operations before income taxes	293	162	582	280
Income tax expense	(4)	(24)	(57)	(43)
Income from continuing operations	289	138	525	237
Income from discontinued operations, net of tax	334	45	448	38
Net income	623	183	973	275
Net income attributable to noncontrolling interests	(209)	(16)	(285)	(32)
Net income attributable to Huntsman Corporation	\$ 414	\$ 167	\$ 688	\$ 243
Basic income per share:				
Income from continuing operations attributable to Huntsman Corporation common stockholders	\$ 1.12	\$ 0.51	\$ 2.01	\$ 0.86
Income from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax	0.61	0.19	0.86	0.16
Net income attributable to Huntsman Corporation common stockholders	\$ 1.73	\$ 0.70	\$ 2.87	\$ 1.02
Weighted average shares	238.7	238.3	239.8	237.8

Diluted income per share:

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Income from continuing operations attributable to Huntsman Corporation common stockholders	\$ 1.11	\$ 0.50	\$ 1.98	\$ 0.84
Income from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax	0.60	0.19	0.84	0.16
Net income attributable to Huntsman Corporation common stockholders	\$ 1.71	\$ 0.69	\$ 2.82	\$ 1.00
Weighted average shares	242.7	243.7	244.2	243.2

Amounts attributable to Huntsman Corporation common stockholders:

Income from continuing operations	\$ 268	\$ 122	\$ 483	\$ 205
Income from discontinued operations, net of tax	146	45	205	38
Net income	\$ 414	\$ 167	\$ 688	\$ 243
Dividends per share	\$ 0.1625	\$ 0.125	\$ 0.325	\$ 0.25

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Millions)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net income	\$ 623	\$ 183	\$ 973	\$ 275
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(202)	58	(115)	135
Pension and other postretirement benefits adjustments	20	19	45	37
Other, net	1	(4)	(8)	(2)
Other comprehensive (loss) income, net of tax	(181)	73	(78)	170
Comprehensive income	442	256	895	445
Comprehensive income attributable to noncontrolling interests	(171)	(21)	(254)	(39)
Comprehensive income attributable to Huntsman Corporation	\$ 271	\$ 235	\$ 641	\$ 406

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In Millions, Except Share Amounts)

	Huntsman Corporation Stockholders' Equity								
	Shares Common stock	Common stock	Additional paid-in capital	Treasury stock	Unearned stock-based compensation	Retained earnings accumulated (deficit)	Accumulated other comprehensive loss	Noncontrolling interests in subsidiaries	Total equity
Balance, January 1, 2018	240,213,606	\$ 3	\$ 3,889	\$ (150)	\$ (15)	\$ 161	\$ (1,268)	\$ 751	\$ 3,371
Cumulative effect of changes in fair value of equity investments	—	—	—	—	—	10	(10)	—	—
Revised balance									
January 1, 2018	240,213,606	3	3,889	(150)	(15)	171	(1,278)	751	3,371
Net income	—	—	—	—	—	688	—	285	973
Other comprehensive loss	—	—	—	—	—	—	(52)	(26)	(78)
Issuance of nonvested stock awards	—	—	14	—	(14)	—	—	—	—
Vesting of stock awards	1,109,813	—	11	—	—	—	—	—	11
Recognition of stock-based compensation	—	—	4	—	7	—	—	—	11
Repurchase and cancellation of stock awards	(254,878)	—	—	—	—	(29)	—	—	(29)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(31)	(31)
Stock options exercised	2,089,134	—	43	—	—	(28)	—	—	15
Repurchase of common stock	(4,632,402)	—	—	(138)	—	—	—	—	(138)
Disposition of a portion of P&A	—	—	18	—	—	—	—	—	18

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Business									
Costs of the									
secondary									
offering of									
P&A Business	—	—	(2)	—	—	—	—	—	(2)
Noncontrolling									
interest from									
partial disposal									
of P&A									
Business	—	—	—	—	—	—	—	27	27
Dividends									
declared on									
common stock	—	—	—	—	—	(78)	—	—	(78)
Balance,									
June 30, 2018	238,525,273	\$ 3	\$ 3,977	\$ (288)	\$ (22)	\$ 724	\$ (1,330)	\$ 1,006	\$ 4,070
Balance,									
January 1, 2017	236,370,347	\$ 3	\$ 3,447	\$ (150)	\$ (17)	\$ (325)	\$ (1,671)	\$ 180	\$ 1,467
Net income	—	—	—	—	—	243	—	32	275
Other									
comprehensive									
income	—	—	—	—	—	—	163	7	170
Issuance of									
nonvested									
stock awards	—	—	17	—	(17)	—	—	—	—
Vesting of									
stock awards	1,162,963	—	8	—	—	—	—	—	8
Recognition of									
stock-based									
compensation	—	—	5	—	9	—	—	—	14
Repurchase and									
cancellation of									
stock awards	(344,918)	—	—	—	—	(8)	—	—	(8)
Contribution									
from									
noncontrolling									
interests	—	—	—	—	—	—	—	2	2
Dividends paid									
to									
noncontrolling									
interests	—	—	—	—	—	—	—	(10)	(10)
Stock options									
exercised	1,238,862	—	34	—	—	(14)	—	—	20
Dividends									
declared on									
common stock	—	—	—	—	—	(60)	—	—	(60)
Balance,									
June 30, 2017	238,427,254	\$ 3	\$ 3,511	\$ (150)	\$ (25)	\$ (164)	\$ (1,508)	\$ 211	\$ 1,878

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

	Six months ended June 30, 2018	2017
Operating Activities:		
Net income	\$ 973	\$ 275
Less: Income from discontinued operations, net of tax	(448)	(38)
Income from continuing operations	525	237
Adjustments to reconcile income from continuing operations to net cash provided by operating activities from continuing operations:		
Equity in income of investment in unconsolidated affiliates	(31)	(3)
Depreciation and amortization	165	155
Loss (gain) on disposal of businesses/assets, net	3	(6)
Loss on early extinguishment of debt	3	1
Noncash interest expense	1	6
Noncash restructuring and impairment charges	2	1
Deferred income taxes	(86)	16
Noncash loss (gain) on foreign currency transactions	4	(7)
Stock-based compensation	15	17
Other, net	3	2
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts and notes receivable	(94)	(120)
Inventories	(107)	(137)
Prepaid expenses	(1)	2
Other current assets	7	51
Other noncurrent assets	(68)	(13)
Accounts payable	50	79
Accrued liabilities	(92)	(20)
Other noncurrent liabilities	40	16
Net cash provided by operating activities from continuing operations	339	277
Net cash provided by operating activities from discontinued operations	301	117
Net cash provided by operating activities	640	394
Investing Activities:		
Capital expenditures	(109)	(101)
Acquisition of businesses, net of cash acquired	(370)	(14)
Proceeds from sale of businesses/assets	—	19
Other, net	(1)	1
Net cash used in investing activities from continuing operations	(480)	(95)
Net cash (used in) provided by investing activities from discontinued operations	(161)	12

Net cash used in investing activities	(641)	(83)
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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Millions)

	Six months ended June 30, 2018	2017
Financing Activities:		
Net borrowings (repayments) under revolving loan facility	\$ 315	\$ (36)
Net repayments on overdraft facilities	(1)	—
Repayments of short-term debt	(4)	(8)
Borrowings on short-term debt	4	4
Repayments of long-term debt	(13)	(122)
Proceeds from issuance of long-term debt	—	10
Repayments of notes payable	(18)	(13)
Debt issuance costs paid	(4)	(3)
Dividends paid to noncontrolling interests	(31)	(10)
Contribution from noncontrolling interests	—	2
Dividends paid to common stockholders	(78)	(60)
Repurchase and cancellation of stock awards	(29)	(8)
Proceeds from issuance of common stock	15	20
Repurchase of common stock	(135)	—
Proceeds from the secondary offering of P&A Business	44	—
Cash paid for expenses of the secondary offering of P&A Business	(2)	—
Other, net	1	—
Net cash provided by (used in) financing activities	64	(224)
Effect of exchange rate changes on cash	(19)	8
Increase in cash, cash equivalents and restricted cash	44	95
Cash, cash equivalents and restricted cash from continuing operations at beginning of period	481	396
Cash, cash equivalents and restricted cash from discontinued operations at beginning of period	238	29
Cash, cash equivalents and restricted cash at end of period	\$ 763	\$ 520
Supplemental cash flow information:		
Cash paid for interest	\$ 83	\$ 92
Cash paid (received) for income taxes	97	(57)

As of June 30, 2018 and 2017, the amount of capital expenditures in accounts payable was \$26 million and \$41 million, respectively. In addition, as of June 30, 2018, the amount of cash interest and cash income taxes included in our supplemental cash flow information related to cash paid for interest and cash paid for income taxes that was paid by our P&A Business was \$24 million and \$20 million, respectively.

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Millions)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents(a)	\$ 407	\$ 468
Restricted cash(a)	1	11
Accounts and notes receivable (net of allowance for doubtful accounts of \$25 for both), (\$391 and \$334 pledged as collateral, respectively)(a)	1,355	1,255
Accounts receivable from affiliates	402	373
Inventories(a)	1,178	1,073
Prepaid expenses	59	59
Other current assets(a)	194	204
Current assets held for sale	3,158	2,880
Total current assets	6,754	6,323
Property, plant and equipment, net(a)	3,013	3,095
Investment in unconsolidated affiliates	296	266
Intangible assets, net(a)	118	56
Goodwill	393	140
Deferred income taxes	299	208
Other noncurrent assets(a)	563	497
Total assets	\$ 11,436	\$ 10,585
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable(a)	\$ 962	\$ 946
Accounts payable to affiliates	93	70
Accrued liabilities(a)	463	566
Notes payable to affiliates	100	100
Current portion of debt(a)	255	40
Current liabilities held for sale	1,578	1,692
Total current liabilities	3,451	3,414
Long-term debt(a)	2,311	2,258
Notes payable to affiliates	627	742
Deferred income taxes	295	265
Other noncurrent liabilities(a)	1,078	1,072
Total liabilities	7,762	7,751
Commitments and contingencies (Notes 15 and 16)		
Equity		
Huntsman International LLC members' equity:		
Members' equity, 2,728 units issued and outstanding	3,646	3,616

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Retained earnings (accumulated deficit)	344	(270)
Accumulated other comprehensive loss	(1,322)	(1,263)
Total Huntsman International LLC members' equity	2,668	2,083
Noncontrolling interests in subsidiaries	1,006	751
Total equity	3,674	2,834
Total liabilities and equity	\$ 11,436	\$ 10,585

- (a) At June 30, 2018 and December 31, 2017, respectively, \$9 and \$15 of cash and cash equivalents, nil and \$11 of restricted cash, \$35 each of accounts and notes receivable (net), \$55 and \$46 of inventories, \$6 and \$7 of other current assets, \$258 and \$283 of property, plant and equipment (net), \$10 each of intangible assets (net), \$55 and \$43 of other noncurrent assets, \$94 and \$109 of accounts payable, \$29 and \$32 of accrued liabilities, \$23 and \$21 of current portion of debt, \$74 and \$86 of long term debt, and \$98 each of other noncurrent liabilities from consolidated variable interest entities are included in the respective balance sheet captions above. See "Note 6. 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 ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenues:				
Trade sales, services and fees, net	\$ 2,367	\$ 2,020	\$ 4,622	\$ 3,911
Related party sales	37	34	77	75
Total revenues	2,404	2,054	4,699	3,986
Cost of goods sold	1,848	1,617	3,602	3,157
Gross profit	556	437	1,097	829
Operating expenses:				
Selling, general and administrative	206	192	397	382
Research and development	38	34	76	68
Restructuring, impairment and plant closing costs	1	3	3	12
Merger costs	1	6	1	6
Other operating expense (income), net	9	(8)	21	(14)
Total operating expenses	255	227	498	454
Operating income	301	210	599	375
Interest expense	(34)	(51)	(66)	(102)
Equity in income of investment in unconsolidated affiliates	18	3	31	3
Loss on early extinguishment of debt	(3)	(1)	(3)	(1)
Other income, net	7	1	13	5
Income from continuing operations before income taxes	289	162	574	280
Income tax expense	(3)	(24)	(55)	(43)
Income from continuing operations	286	138	519	237
Income from discontinued operations, net of tax	334	44	448	36
Net income	620	182	967	273
Net income attributable to noncontrolling interests	(209)	(16)	(285)	(32)
Net income attributable to Huntsman International LLC	\$ 411	\$ 166	\$ 682	\$ 241

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Millions)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net income	\$ 620	\$ 182	\$ 967	\$ 273
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment	(200)	57	(115)	134
Pension and other postretirement benefits adjustments	20	21	45	41
Other, net	—	(4)	(5)	(2)
Other comprehensive (loss) income, net of tax	(180)	74	(75)	173
Comprehensive income	440	256	892	446
Comprehensive income attributable to noncontrolling interests	(171)	(21)	(254)	(39)
Comprehensive income attributable to Huntsman International LLC	\$ 269	\$ 235	\$ 638	\$ 407

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)

	Huntsman International LLC Members					
	Members'		Retained	Accumulated	Noncontrolling	Total
	equity	Amount	earnings	other	interests in	equity
	Units		(Accumulated	comprehensive	subsidiaries	
			deficit)	loss		
			\$ (270)	\$ (1,263)	\$ 751	\$ 2,834
Balance, January 1, 2018	2,728	\$ 3,616				
Cumulative effect of changes in fair value of equity investments	—	—	10	(10)	—	—
Revised balance January 1, 2018	2,728	3,616	(260)	(1,273)	751	2,834
Net income	—	—	682	—	285	967
Dividends paid to parent	—	—	(78)	—	—	(78)
Other comprehensive loss	—	—	—	(49)	(26)	(75)
Contribution from parent	—	14	—	—	—	14
Disposition of a portion of P&A Business	—	18	—	—	—	18
Costs of the secondary offering of P&A Business	—	(2)	—	—	—	(2)
Noncontrolling interest from partial disposal of P&A Business	—	—	—	—	27	27
Dividends paid to noncontrolling interests	—	—	—	—	(31)	(31)
Balance, June 30, 2018	2,728	\$ 3,646	\$ 344	\$ (1,322)	\$ 1,006	\$ 3,674
Balance, January 1, 2017	2,728	\$ 3,226	\$ (779)	\$ (1,691)	\$ 180	\$ 936
Net income	—	—	241	—	32	273
Dividends paid to parent	—	—	(60)	—	—	(60)
Other comprehensive income	—	—	—	166	7	173
Contribution from parent	—	18	—	—	—	18
Contribution from noncontrolling interests	—	—	—	—	2	2
Dividends paid to noncontrolling interests	—	—	—	—	(10)	(10)
Balance, June 30, 2017	2,728	\$ 3,244	\$ (598)	\$ (1,525)	\$ 211	\$ 1,332

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 ended June 30, 2018	2017
Operating Activities:		
Net income	\$ 967	\$ 273
Less: Income from discontinued operations, net of tax	(448)	(36)
Income from continuing operations	519	237
Adjustments to reconcile income from continuing operations to net cash provided by operating activities from continuing operations:		
Equity in income of investment in unconsolidated affiliates	(31)	(3)
Depreciation and amortization	164	149
Loss on disposal of businesses/assets, net	3	(6)
Loss on early extinguishment of debt	3	1
Noncash interest expense	11	13
Noncash restructuring and impairment charges	2	1
Deferred income taxes	(86)	16
Noncash loss (gain) on foreign currency transactions	4	(7)
Noncash compensation	14	16
Other, net	3	1
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts and notes receivable	(96)	(118)
Inventories	(107)	(137)
Prepaid expenses	(1)	2
Other current assets	5	50
Other noncurrent assets	(68)	(13)
Accounts payable	40	72
Accrued liabilities	(92)	(20)
Other noncurrent liabilities	42	20
Net cash provided by operating activities from continuing operations	329	274
Net cash provided by operating activities from discontinued operations	301	115
Net cash provided by operating activities	630	389
Investing Activities:		
Capital expenditures	(109)	(101)
Acquisition of businesses, net of cash acquired	(370)	(14)
Proceeds from sale of businesses/assets	—	19
Increase in receivable from affiliate	(23)	(4)
Other, net	(1)	2
Net cash used in investing activities from continuing operations	(503)	(98)

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Net cash (used in) provided by investing activities from discontinued operations	(161)	12
Net cash used in investing activities	(664)	(86)

(Continued)

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Millions)

	Six months ended June 30, 2018	2017
Financing Activities:		
Net borrowings (repayments) under revolving loan facility	\$ 315	\$ (36)
Net repayments on overdraft facilities	(1)	—
Repayments of short-term debt	(4)	(8)
Borrowings on short-term debt	4	4
Repayments of long-term debt	(13)	(122)
Proceeds from issuance of long-term debt	—	10
Repayments of notes payable to affiliate	(115)	—
Proceeds from issuance of notes payable to affiliate	—	18
Repayments of notes payable	(18)	(13)
Debt issuance costs paid	(4)	(3)
Dividends paid to noncontrolling interests	(31)	(10)
Contribution from noncontrolling interests	—	2
Dividends paid to parent	(78)	(60)
Proceeds from the secondary offering of P&A Business	44	—
Cash paid for expenses of the secondary offering of P&A Business	(2)	—
Other, net	1	—
Net cash provided by (used in) financing activities	98	(218)
Effect of exchange rate changes on cash	(19)	8
Increase in cash, cash equivalents and restricted cash	45	93
Cash, cash equivalents and restricted cash from continuing operations at beginning of period	479	395
Cash, cash equivalents and restricted cash from discontinued operations at beginning of period	238	29
Cash, cash equivalents and restricted cash at end of period	\$ 762	\$ 517
Supplemental cash flow information:		
Cash paid for interest	\$ 83	\$ 92
Cash paid (received) for income taxes	97	(57)

As of June 30, 2018 and 2017, the amount of capital expenditures in accounts payable was \$26 million and \$41 million, respectively. During the six months ended June 30, 2018 and 2017, Huntsman Corporation contributed \$14 million and \$16 million, respectively, related to stock-based compensation for continuing operations. In addition, as of June 30, 2018, the amount of cash interest and cash income taxes included in our supplemental cash flow information related to cash paid for interest and cash paid for income taxes that was paid by our P&A Business after the IPO date was \$24 million and \$20 million, respectively.

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,” “Huntsman,” “our,” “us” or “we” may be used to refer to Huntsman Corporation and, unless the context otherwise requires, its subsidiaries and predecessors. In this report, “Huntsman International” refers to Huntsman International LLC (our wholly owned subsidiary).

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, 2017 for our Company and Huntsman International.

Description of Business

We are a global manufacturer of differentiated organic chemical products. Our products comprise a broad range of chemicals and formulations, which we market globally to a diversified group of consumer and industrial customers.

Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, personal care and hygiene, durable and non-durable consumer products, digital inks, electronics, medical, packaging, coatings and construction, power generation, refining, synthetic fiber, textile chemicals and dyes industries. We are a leading global producer in many of our key product lines, including MDI, amines, surfactants, maleic anhydride, epoxy-based polymer formulations, textile chemicals and dyes.

We operate in four segments: Polyurethanes, Performance Products, Advanced Materials and Textile Effects. In August 2017, we separated our Titanium Dioxide and Performance Additives business (the “P&A Business”) through an initial public offering (“IPO”) of ordinary shares of Venator Materials PLC (“Venator”), formerly our wholly-owned subsidiary (the “Separation”). Beginning in the third quarter of 2017, we reported the results of the P&A Business as discontinued operations. See “Note 4. Discontinued Operations.” In a series of transactions beginning in 2006, we sold or shut down substantially all of our Australian styrenics operations and our North American polymers and base chemicals operations. We also report the results of these businesses as discontinued operations.

Company

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

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.

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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.

Reclassifications

Certain amounts in the consolidated financial statements for prior periods have been reclassified to conform with the current presentation. These reclassifications presented the other components of net periodic pension cost and net periodic postretirement cost within other nonoperating income in accordance with Accounting Standards Update ("ASU") No. 2017-07, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. We previously presented these amounts within cost of goods sold and selling, general and administrative expenses. See "Note 2. Recently Issued Accounting Pronouncements."

Goodwill

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The following table summarizes the changes in the carrying amount of goodwill for the six months ended June 30, 2018 (dollars in millions):

	Polyurethanes	Performance Products	Advanced Materials	Total
Balance as of January 1, 2018	\$ 40	\$ 17	\$ 83	\$ 140
Goodwill acquired during year	229	—	28	257
Foreign currency effect on balance	(4)	—	—	(4)
Balance as of June 30, 2018	\$ 265	\$ 17	\$ 111	\$ 393

See “Note 3. Business Combination.”

Recent Developments

Unsecured Revolving Credit Facility

On May 21, 2018, Huntsman International entered into a new \$1.2 billion senior unsecured revolving credit facility (the “2018 Credit Facility”). Borrowings under the 2018 Credit Facility will bear interest at the rates specified in the credit agreement governing the 2018 Credit Facility, which will vary based on the type of loan and Huntsman International’s debt ratings. Unless earlier terminated, the 2018 Credit Facility will mature in May 2023. Huntsman International may increase the 2018 Credit Facility commitments up to an additional \$500 million, subject to the satisfaction of certain conditions. See “Note 8. Debt—Direct and Subsidiary Debt—Credit Facility.”

In connection with entering into the 2018 Credit Facility, Huntsman International terminated all commitments and repaid all obligations under its previous \$650 million senior secured revolving credit facility (the “Prior Credit Facility”). In addition, we recognized a loss of early extinguishment of debt of \$3 million. Upon the termination of the

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Prior Credit Facility, all guarantees of the obligations under the Prior Credit Facility were terminated, and all liens granted under the Prior Credit Facility were released.

Share Repurchase Program

On February 7, 2018 and on May 3, 2018, our Board of Directors authorized us to repurchase up to an additional \$950 million in shares of our common stock in addition to the \$50 million remaining under our September 2015 share repurchase authorization. The share repurchase program will be supported by our free cash flow generation and by the monetization of Venator shares. During the six months ended June 30, 2018, we repurchased 4,632,402 shares of our common stock for approximately \$138 million, including commissions, under the repurchase program, of which \$3 million was settled in July 2018. From July 1, 2018 through July 23, 2018, we repurchased an additional 542,933 shares of our common stock for approximately \$16 million, including commissions. See “Note 13. Huntsman Corporation Stockholders’ Equity.”

Demilec Acquisition

On April 23, 2018, we acquired 100% of the outstanding equity interests of Demilec (USA) Inc. and Demilec Inc. (collectively, “Demilec”) for approximately \$357 million, including preliminary working capital adjustments, in an all-cash transaction (“Demilec Acquisition”), which was funded from our Prior Credit Facility and our U.S. accounts receivable securitization program (“U.S. A/R Program”). Demilec is a leading North American manufacturer and distributor of spray polyurethane foam formulations for residential and commercial applications. The acquired business is being integrated into our Polyurethanes segment. See “Note 3. Business Combination.”

Use of Estimates

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

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Adopted During 2018

In May 2014, the Financial Accounting Standards Board (“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 March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), clarifying the implementation guidance on principal versus agent considerations, in April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, clarifying the implementation guidance on identifying performance obligations in a contract and determining whether an entity’s promise to grant a license provides a customer with either a right to use the entity’s intellectual property (which is satisfied at a point in time) or a right to access the entity’s intellectual property (which is satisfied over time), in May 2016, the FASB issued ASU No. 2016-12, Revenue from Customers (Topic 606): Narrow Scope Improvements and Practical Expedients, providing clarifications and practical expedients for certain narrow aspects in Topic 606, and in December 2016, the FASB issued ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers. The amendments in these ASUs are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The amendments in ASU No. 2014-09, ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12 and ASU No. 2016-20 should be applied retrospectively. On January 1, 2018, we adopted the amendments in ASU No. 2014-09, ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12 and ASU No. 2016-20 to all current revenue contracts using the modified retrospective approach, and the initial adoption of these amendments did not have an impact on our condensed consolidated financial statements. As a result of the adoption of these amendments, we revised our accounting policy for revenue recognition as detailed in “Note 11. Revenue Recognition,” and, except for the changes noted in “Note 11. Revenue Recognition,” no material changes have been made to our significant accounting policies disclosed in “Note 2. Summary of Significant Accounting Policies” of our Annual Report on Form 10-K, filed on February 23, 2018, for the year ended December 31, 2017.

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In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities. The amendments in this ASU require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. An entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. On January 1, 2018, we adopted the amendments in ASU No. 2016-01 and upon transition recorded a cumulative-effect adjustment of approximately \$10 million, net of tax, relating to prior years' changes in fair value of equity investments from other comprehensive income to retained earnings. Beginning in the first quarter of 2018, we also started recognizing the current period change in fair value of equity investments in net income.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The amendments in this ASU clarify and include specific guidance to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The amendments in this ASU should be applied using a retrospective transition method to each period presented. We adopted the amendments in this ASU effective January 1, 2018, and the initial adoption of the amendments in this ASU did not have a significant impact on our condensed consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017, and interim period within those fiscal years. The amendments in this ASU were applied using a retrospective transition method to each period presented. We adopted the amendments in this ASU effective January 1, 2018, and the initial adoption of the amendments in this ASU did not have a significant impact on our condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The amendments in this ASU clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amendments in this ASU should be applied prospectively on or after the effective date. No disclosures are required at transition. We adopted the amendments in this ASU effective January 1, 2018, and the initial adoption of this ASU did not have a significant impact on our condensed consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The amendments in this ASU require that an employer report the service cost component of net periodic pension cost and net periodic postretirement benefit cost in the same line items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside of income from operations. The amendments in this ASU also allow only the service cost component to be eligible for capitalization when applicable (for example, as a cost of internally manufactured inventory or a self-constructed asset). The amendments in this ASU are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amendments in this ASU should be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit cost in assets. We adopted the amendments in this ASU effective January 1, 2018, which impacted the presentation of our condensed consolidated financial statements. Our previous presentation of service cost

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components was consistent with the amendments in this ASU. However, we now present the other components within other income, net, whereas we previously presented these within cost of goods sold and selling, general and administrative expenses.

Accounting Pronouncements Pending Adoption in Future Periods

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 these ASUs 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. In January 2018, the FASB issued ASU No. 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842, providing an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840. The amendments in these ASUs are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early application of the amendments in these ASUs 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 these ASUs on our condensed consolidated financial statements and believe, based on our preliminary assessment, that we will record significant additional right-to-use assets and lease obligations. We are establishing and evaluating an inventory of our existing leases for consideration of the accounting impact of each lease. We have selected a lease accounting software solution to support the new requirements under the amendments in these ASUs. We are also evaluating key policy elections and considerations under the amendments in these ASUs and are developing internal policies to address these amendments.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The amendments in this ASU better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships as well as the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements to increase the understandability of the results of an entity's intended hedging strategies. The amendments in this ASU also include certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted in any interim period after the issuance of this ASU. Transition requirements and elections should be applied to hedging relationships existing on the date of adoption. For cash flow and net investment hedges, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness, and the amended presentation and disclosure guidance is required only prospectively. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements.

3. BUSINESS COMBINATION

On April 23, 2018, we completed the Demilec Acquisition for approximately \$357 million, including preliminary working capital adjustments, in an all-cash transaction, which was funded from our Prior Credit Facility and our U.S. A/R Program. Demilec is a leading North American manufacturer and distributor of spray polyurethane foam formulations for residential and commercial applications. The acquired business is being integrated into our Polyurethanes segment. Transaction costs charged to expense related to this acquisition were approximately \$1 million and nil for the six months ended June 30, 2018 and 2017, respectively, and were recorded in other operating expense (income), net in our condensed consolidated statements of operations. The Demilec Acquisition is aligned with our stated strategy to grow our downstream polyurethanes business and leverage our global platform to expand Demilec's portfolio of spray polyurethane foam formulations into international markets.

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

Fair value of assets acquired and liabilities assumed:	
Cash	\$ 1
Accounts receivable	32
Inventories	23
Prepaid expenses and other current assets	1
Property, plant and equipment, net	25
Intangible assets	68
Goodwill	229
Accounts payable	(16)
Accrued liabilities	(4)
Other noncurrent liabilities	(2)
Total fair value of net assets acquired	\$ 357

The acquisition cost allocation is preliminary pending final determination of the fair value of assets acquired and liabilities assumed, including final valuation of property, plant and equipment, intangible assets and deferred taxes.

Intangible assets acquired included in this preliminary allocation consist primarily of trademarks, trade secrets and customer relationships. The applicable amortization periods are still being assessed. For purposes of this preliminary allocation of fair value, we have assigned any excess of the acquisition cost of historical carrying values to goodwill. The estimated goodwill recognized is attributable primarily to projected future profitable growth, penetration into downstream markets, and synergies. On a preliminary basis, we expect that none of the estimated goodwill arising from the acquisition will be deductible for income tax purposes.

It is possible that material changes to this preliminary purchase price allocation could occur. The acquired business had revenues and net loss of \$38 million and \$2 million, respectively, for the period from the date of acquisition to June 30, 2018.

If this acquisition were to have occurred on January 1, 2017, the following estimated pro forma revenues, net income, net income attributable to Huntsman Corporation and Huntsman International and income per share for Huntsman Corporation would have been reported (dollars in millions):

Huntsman Corporation

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	(Unaudited) Pro Forma Three months ended June 30,		(Unaudited) Pro Forma Six months ended June 30,	
	2018	2017	2018	2017
Revenues	\$ 2,418	\$ 2,089	\$ 4,757	\$ 4,057
Net income	623	181	962	267
Net income attributable to Huntsman Corporation	414	165	677	235
Income per share:				
Basic	1.73	0.69	2.82	0.99
Diluted	1.71	0.68	2.77	0.97

Huntsman International

	(Unaudited) Pro Forma Three months ended June 30,		(Unaudited) Pro Forma Six months ended June 30,	
	2018	2017	2018	2017
Revenues	\$ 2,418	\$ 2,089	\$ 4,754	\$ 4,057
Net income	620	180	956	265
Net income attributable to Huntsman International	411	164	671	233

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4. DISCONTINUED OPERATIONS

In 2017, we separated the P&A Business and conducted both an IPO and a secondary offering of ordinary shares of Venator, formerly a wholly-owned subsidiary of Huntsman. On January 3, 2018, the underwriters purchased an additional 1,948,955 Venator ordinary shares pursuant to the exercise of the underwriters' option to purchase additional shares. All of the ordinary shares offered in the IPO and the secondary offering were sold by Huntsman, and Venator did not receive any proceeds from the offerings. As of June 30, 2018, we retained approximately 53% ownership in Venator. We intend to monetize our retained ownership in Venator at prevailing market conditions and expect to conduct one or more capital market or block transactions to permit the orderly distribution of our retained shares.

In August 2017, we entered into a separation agreement, a transition services agreement ("TSA"), a tax matters agreement and an employee matters agreement with Venator to effect the Separation and provide a framework for a short term set of transition services. Pursuant to the TSA, we will, for a limited time following the Separation, provide Venator with certain services and functions that the parties have historically shared. We may also provide Venator with additional services that Venator and Huntsman may identify from time to time in the future. In general, the services began following the Separation and cover a period not expected to exceed 24 months; however, Venator may terminate individual services provided by us under the TSA early, as it becomes able to operate its business without such services.

The following table summarizes the major classes of assets and liabilities constituting assets and liabilities held for sale (dollars in millions):

	June 30, 2018	December 31, 2017
Carrying amounts of major classes of assets held for sale:		
Accounts receivable	\$ 435	\$ 380
Inventories	491	454
Other current assets	431	318
Property, plant and equipment, net	1,568	1,424
Deferred income taxes	88	158
Other noncurrent assets	145	146
Total assets held for sale	\$ 3,158	\$ 2,880
Carrying amounts of major classes of liabilities held for sale:		
Accounts payable	\$ 378	\$ 385
Accrued liabilities	176	236

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Other current liabilities	16	25
Long-term debt	745	746
Other noncurrent liabilities	263	300
Total liabilities held for sale	\$ 1,578	\$ 1,692

- (1) The assets and liabilities held for sale are classified as current as of June 30, 2018 and December 31, 2017 because it is probable that the sale of our controlling financial interest in Venator ordinary shares will occur and proceeds will be collected within one year.

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The following table summarizes major classes of line items constituting pretax and after-tax income of discontinued operations (dollars in millions):

Huntsman Corporation

	Three months ended June 30, 2018		Six months ended June 30, 2018	
	2017		2017	
Major classes of line items constituting pretax income of discontinued operations:				
Trade sales, services and fees, net	\$ 630	\$ 568	\$ 1,257	\$ 1,111
Cost of goods sold	118	481	594	951
Other expense items, net that are not major	94	19	111	96
Income from discontinued operations before income taxes	418	68	552	64
Income tax expense	(84)	(23)	(104)	(26)
Income from discontinued operations, net of tax	334	45	448	38
Net income attributable to noncontrolling interests	(2)	(3)	(4)	(6)
Net income attributable to discontinued operations	\$ 332	\$ 42	\$ 444	\$ 32

Huntsman International

	Three months ended June 30, 2018		Six months ended June 30, 2018	
	2017		2017	
Major classes of line items constituting pretax income of discontinued operations:				
Trade sales, services and fees, net	\$ 630	\$ 568	\$ 1,257	\$ 1,111
Cost of goods sold	118	480	594	951
Other expense items, net that are not major	94	22	111	99
Income from discontinued operations before income taxes	418	66	552	61
Income tax expense	(84)	(22)	(104)	(25)
Income from discontinued operations, net of tax	334	44	448	36
Net income attributable to noncontrolling interests	(2)	(3)	(4)	(6)
Net income attributable to discontinued operations	\$ 332	\$ 41	\$ 444	\$ 30

5. INVENTORIES

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

	June 30, 2018	December 31, 2017
Raw materials and supplies	\$ 236	\$ 189
Work in progress	48	48
Finished goods	949	897
Total	1,233	1,134
LIFO reserves	(55)	(61)
Net inventories	\$ 1,178	\$ 1,073

For both June 30, 2018 and December 31, 2017, approximately 11% and 12% of inventories were recorded using the LIFO cost method, respectively.

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6. 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 Lanxess 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.
- 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 at the time of the last reconsideration event, we took on a disproportionate amount of risk of loss due to a related party loan to Sasol Huntsman for which we assumed the default risk.

Creditors of these entities have no recourse to our general credit. See "Note 8. Debt—Direct and Subsidiary Debt." As the primary beneficiary of these variable interest entities at June 30, 2018, 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 sheet as of June 30, 2018 and our consolidated balance sheet as of December 31, 2017 (dollars in millions):

	June 30, 2018	December 31, 2017
Current assets	\$ 106	\$ 114
Property, plant and equipment, net	258	283
Other noncurrent assets	124	116
Deferred income taxes	34	33
Intangible assets	10	10
Goodwill	14	14

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Total assets	\$ 546	\$ 570
Current liabilities	\$ 147	\$ 163
Long-term debt	74	86
Deferred income taxes	12	12
Other noncurrent liabilities	98	98
Total liabilities	\$ 331	\$ 359

The revenues, income from continuing operations before income taxes and net cash provided by operating activities for our variable interest entities for the three and six months ended June 30, 2018 and 2017 are as follows (dollars in millions):

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenues	\$ 39	\$ 36	\$ 77	\$ 67
Income from continuing operations before income taxes	9	10	19	14
Net cash provided by operating activities	14	10	29	22

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7. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS

As of June 30, 2018 and December 31, 2017, accrued restructuring costs of continuing operations by type of cost and initiative consisted of the following (dollars in millions):

	Workforce reductions(1)	Demolition and decommissioning	Non-cancelable lease and contract termination costs	Other restructuring costs	Total(2)
Accrued liabilities as of January 1, 2018	\$ 5	\$ 2	\$ 41	\$ 5	\$ 53
2018 charges (credits) for 2017 and prior initiatives	1	—	—	(5)	(4)
2018 charges for 2018 initiatives	—	—	—	5	5
2018 (payments) credits for 2017 and prior initiatives	(2)	(1)	(1)	4	—
2018 payments for 2018 initiatives	—	—	—	(5)	(5)
Accrued liabilities as of June 30, 2018	\$ 4	\$ 1	\$ 40	\$ 4	\$ 49

(1) The workforce reduction reserves relate to the termination of 104 positions, of which 58 positions had not been terminated as of June 30, 2018.

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

	June 30, 2018	December 31, 2017
2016 and prior initiatives	\$ 49	\$ 51
2017 initiatives	—	2
2018 initiatives	—	—
Total	\$ 49	\$ 53

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

	Performance Products	Advanced Materials	Textile Effects	Corporate and other	Total
Polyurethanes					

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Accrued liabilities as of January 1, 2018	\$ 1	\$ 1	\$ 3	\$ 47	\$ 1	\$ 53
2018 charges (credits) for 2017 and prior initiatives	—	1	—	(5)	—	(4)
2018 charges for 2018 initiatives	—	—	—	—	5	5
2018 (payments) credits for 2017 and prior initiatives	(1)	(1)	—	2	—	—
2018 payments for 2018 initiatives	—	—	—	—	(5)	(5)
Accrued liabilities as of June 30, 2018	\$ —	\$ 1	\$ 3	44	\$ 1	\$ 49
Current portion of restructuring reserves	\$ —	\$ 1	\$ 1	\$ 4	\$ 1	\$ 7
Long-term portion of restructuring reserves	—	—	2	40	—	42

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Details with respect to cash and noncash restructuring charges from continuing operations for the three and six months ended June 30, 2018 and 2017 are provided below (dollars in millions):

	Three months ended June 30, 2018	Six months ended June 30, 2018
Cash charges:		
2018 charges (credits) for 2017 and prior initiatives	\$ 1	\$ (4)
2018 charges for 2018 initiatives	—	5
Noncash charges:		
Other noncash charges	—	2
Total 2018 Restructuring, Impairment and Plant Closing Costs	\$ 1	\$ 3

	Three months ended June 30, 2017	Six months ended June 30, 2017
Cash charges:		
2017 charges for 2016 and prior initiatives	\$ 2	\$ 5
2017 charges for 2017 initiatives	—	6
Noncash charges:		
Accelerated depreciation	1	2
Other noncash credits	—	(1)
Total 2017 Restructuring, Impairment and Plant Closing Costs	\$ 3	\$ 12

2018 Restructuring Activities

In September 2011, we implemented a significant restructuring of our Textile Effects segment (“Textile Effects Restructuring”), including the closure of our production facilities and business support offices in Basel, Switzerland. In connection with this restructuring plan, during the six months ended June 30, 2018, our Textile Effects segment recorded a gain of \$5 million related to the sale of land at the Basel, Switzerland site.

2017 Restructuring Activities

In connection with the Textile Effects Restructuring involving the closure of our production facilities and business support offices in Basel, Switzerland, we recorded restructuring expense of \$3 million in the six months ended June 30, 2017.

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

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8. DEBT

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

Huntsman Corporation

	June 30, 2018	December 31, 2017
Credit Facility:		
Revolving facility	\$ 225	\$ —
Amounts outstanding under A/R programs	268	180
Senior notes	1,906	1,927
Variable interest entities	97	107
Other	70	84
Total debt	\$ 2,566	\$ 2,298
Total current portion of debt	\$ 255	\$ 40
Long-term portion of debt	2,311	2,258
Total debt	\$ 2,566	\$ 2,298

Huntsman International

	June 30, 2018	December 31, 2017
Credit Facility:		
Revolving facility	\$ 225	\$ —
Amounts outstanding under A/R programs	268	180
Senior notes	1,906	1,927
Variable interest entities	97	107
Other	70	84
Total debt, excluding debt to affiliates	\$ 2,566	\$ 2,298
Total current portion of debt	\$ 255	\$ 40
Long-term portion of debt	2,311	2,258
Total debt, excluding debt to affiliates	\$ 2,566	\$ 2,298
Total debt, excluding debt to affiliates	\$ 2,566	\$ 2,298
Notes payable to affiliates-current	100	100
Notes payable to affiliates-noncurrent	627	742
Total debt	\$ 3,293	\$ 3,140

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 have third party debt agreements that 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 to the face amount of that debt liability. As of June 30, 2018 and December 31, 2017, the amount of debt issuance costs directly reducing the debt liability was \$9 million and \$11 million, respectively. We record the amortization of debt issuance costs as interest expense.

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Credit Facility

On May 21, 2018, Huntsman International entered into the 2018 Credit Facility. Borrowings under the 2018 Credit Facility will bear interest at the rates specified in the credit agreement governing the 2018 Credit Facility, which will vary based on the type of loan and Huntsman International's debt ratings. Unless earlier terminated, the 2018 Credit Facility will mature in May 2023. Huntsman International may increase the 2018 Credit Facility commitments up to an additional \$500 million, subject to the satisfaction of certain conditions.

In connection with entering into the 2018 Credit Facility, Huntsman International terminated all commitments and repaid all obligations under the Prior Credit Facility. In addition, we recognized a loss of early extinguishment of debt of \$3 million. Upon the termination of the Prior Credit Facility, all guarantees of the obligations under the Prior Credit Facility were terminated, and all liens granted under the Prior Credit Facility were released. As of June 30, 2018, our 2018 Credit Facility was as follows (dollars in millions):

Facility	Committed Amount	Principal Outstanding	Unamortized Discounts and Debt Issuance Costs	Carrying Value	Interest Rate(2)	Maturity
2018 Credit Facility	\$ 1,200	\$ 225	(1) \$ —	(1) \$ —	(1) LIBOR plus 1.75%	2023

(1) On June 30, 2018, we had an additional \$9 million (U.S. dollar equivalents) of letters of credit and bank guarantees issued and outstanding under our 2018 Credit Facility.

(2) Interest rates on borrowings under the 2018 Credit Facility vary based on the type of loan and Huntsman International's debt ratings. The then applicable interest rate as of June 30, 2018 was 1.75% above LIBOR.

In connection with the Demilec Acquisition on April 23, 2018, we borrowed \$275 million under the Prior Credit Facility and \$75 million under our U.S. A/R Program. See "Note 1. General—Recent Developments—Demilec Acquisition." In connection with our entry into the 2018 Credit Facility on May 21, 2018, we borrowed \$275 million under the 2018 Credit Facility and repaid all obligations under our Prior Credit Facility. During the quarter ended June 30, 2018, we repaid an aggregate \$50 million under our 2018 Credit Facility.

A/R Programs

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Our U.S. A/R Program and our European accounts receivable securitization program (“EU A/R Program” and collectively with the U.S. A/R Program, “A/R Programs”) are structured so that we transfer certain of our trade receivables to the U.S. special purpose entity (“U.S. SPE”) and the European special purpose entity (“EU SPE”) in transactions intended to be true sales or true contributions. The receivables collateralize debt incurred by the U.S. SPE and the EU SPE. Information regarding our A/R Programs as of June 30, 2018 was as follows (monetary amounts in millions):

Facility	Maturity	Maximum Funding Availability(1)	Amount Outstanding	Interest Rate(2)
U.S. A/R Program	April 2020	\$ 250	\$ 180	(3) 0.95%
EU A/R Program	April 2020	€ 150 (approximately \$174)	€ 76 (approximately \$88)	Applicable rate plus 1.30%

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- (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, 2018, we had approximately \$5 million (U.S. dollar equivalents) of letters of credit issued and outstanding under our U.S. A/R Program.

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As of June 30, 2018 and December 31, 2017, \$391 million and \$334 million, respectively, of accounts receivable were pledged as collateral under our A/R Programs.

Other Debt

On July 5, 2018, Huntsman Polyurethanes Shanghai, one of our majority-owned subsidiaries, made an early repayment of RMB 277 million (approximately \$42 million) of term loans. Following the repayment, there are no borrowings outstanding.

Note Payable from Huntsman International to Huntsman Corporation

As of June 30, 2018, we had a loan of \$727 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, 2018 on our condensed consolidated balance sheets. As of June 30, 2018, under the terms of the Intercompany Note, Huntsman International promises to pay us interest on the unpaid principal amount at a rate per annum based on the previous monthly average borrowing rate obtained under our U.S. A/R Program, less 10 basis points (provided that the rate shall not exceed an amount that is 25 basis points less than the monthly average borrowing rate obtained for the U.S. LIBOR-based borrowings under our Revolving Facility).

Compliance with Covenants

Our 2018 Credit Facility contains a financial covenant regarding the leverage ratio of Huntsman International and its subsidiaries. The 2018 Credit Facility also contains other customary covenants and events of default for credit facilities of this type. Upon an event of default that is not cured or waived within any applicable cure periods, in addition to other remedies that may be available to the lenders, the obligations under the 2018 Credit Facility may be accelerated.

The agreements governing our A/R Programs also contain certain receivable performance metrics. Any material failure to meet the applicable A/R Programs’ metrics 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 2018 Credit Facility, which could require us to pay off the balance of the 2018 Credit Facility in full and could result in the loss of our 2018 Credit Facility.

We believe that we are in compliance with the covenants contained in the agreements governing our material debt instruments, including our 2018 Credit Facility, our A/R Programs and our notes.

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

Our revenues and expenses are denominated in various foreign currencies, and our cash flows and earnings are thus subject to fluctuations due to exchange rate variations. From time to time, we may enter into foreign currency

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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, 2018, we had approximately \$146 million in notional amount (in U.S. dollar equivalents) outstanding in forward foreign currency contracts.

From time to time, we may purchase interest rate swaps and/or other derivative instruments to reduce the impact of changes in interest rates on our floating-rate long-term debt. Under interest rate swaps, we agree with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount.

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 included in our consolidated results. See “Note 6. Variable Interest Entities.” The notional amount of the swap as of June 30, 2018 was \$12 million, and the interest rate contract was not designated as a cash flow hedge. As of June 30, 2018, the fair value of the swap was \$1 million and was recorded in noncurrent liabilities on our condensed consolidated balance sheets. For each of the three and six months ended June 30, 2018 and 2017, we recorded a reduction of interest expense of nil due to changes in fair value of the swap.

In November 2014, we entered into two five year cross-currency interest rate contracts and one eight year cross-currency interest rate contract to swap an aggregate notional \$200 million for an aggregate notional €161 million. This swap was designated as a hedge of net investment for financial reporting purposes. Under the cross-currency interest rate contract, we were to 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%). In August 2017, we terminated these cross-currency interest rate contracts and received \$7 million 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 income on our condensed consolidated statements of

comprehensive income. From time to time, we review such designation of intercompany loans.

We review our non-U.S. dollar denominated debt and derivative instruments to determine the appropriate amounts designated as hedges. As of June 30, 2018, we have designated approximately €505 million (approximately \$586 million) of euro-denominated debt as a hedge of our net investment. For the six months ended June 30, 2018 and 2017, the amount recognized on the hedge of our net investment was a gain of \$24 million and a loss of \$54 million, respectively, and was recorded in other comprehensive (loss) income on our condensed consolidated statements of comprehensive income.

10. FAIR VALUE

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

	June 30, 2018		December 31, 2017	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Non-qualified employee benefit plan investments	\$ 25	\$ 25	\$ 33	\$ 33
Interest rate contracts	(1)	(1)	(1)	(1)
Long-term debt (including current portion)	(2,566)	(2,705)	(2,298)	(2,483)

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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 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, 2018 and December 31, 2017. The estimated fair value amounts have not been comprehensively revalued for purposes of these financial statements since June 30, 2018 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, 2018	Fair Value Amounts Using Quoted prices in active markets for identical assets (Level 1)			Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)	
Assets:								
Equity securities:								
Non-qualified employee benefit plan investments	\$ 25	\$ 25	\$	—			\$	—
Liabilities:								
Derivatives:								
Interest rate contracts(1)	\$ (1)	\$ —	\$	(1)			\$	—

Description	December 31, 2017	Fair Value Amounts Using Quoted prices in active markets for identical assets (Level 1)			Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)	
Assets:								
Equity securities:								
Non-qualified employee benefit plan investments	\$ 33	\$ 33	\$	—			\$	—
Liabilities:								

Derivatives:

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

(2) There were no transfers between Levels 1 and 2 within the fair value hierarchy during the six months ended June 30, 2018 and the year ended December 31, 2017.

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The following table shows a reconciliation of beginning and ending balances for the three and six months ended June 30, 2017 for instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (dollars in millions). During the six months ended June 30, 2018, there were no instruments categorized as Level 3 within the fair value hierarchy.

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

There were no gains or losses (realized and unrealized) included in earnings for instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

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 each of the three and six months ended June 30, 2018 and 2017, we recorded charges of nil for the impairment of long lived assets.

11. REVENUE RECOGNITION

We generate substantially all of our revenues through sales in the open market and long term supply agreements. We recognize revenue when control of the promised goods is transferred to our customers. Control of goods usually passes to the customer at the time shipment is made. Revenue is measured as the amount that reflects the consideration that we expect to be entitled to in exchange for those goods. Sales, value add, and other taxes we collect

concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. We have elected to account for all shipping and handling activities as fulfillment costs. We have also elected to expense commissions when incurred as the amortization period of the commission asset that we would have otherwise recognized is less than one year.

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The following table disaggregates our revenue by major source for the three months ended June 30, 2018 (dollars in millions):

Primary Geographic Markets	Polyurethanes	Performance Products	Advanced Materials	Textile Effects	Eliminations	Total
U.S. and Canada	\$ 451	\$ 316	\$ 75	\$ 17	\$ (9)	\$ 850
Europe	335	112	116	37	(9)	591
Asia Pacific	309	115	79	134	(3)	634
Rest of world	218	50	22	39	—	329
	\$ 1,313	\$ 593	\$ 292	\$ 227	\$ (21)	\$ 2,404