Huntsman CORP
Form 10-Q
July 27, 2017
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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, 2017

OR

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

For the transition period from to

Commission 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

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

Huntsman Corporation	YES	NO
Huntsman International LLC	YES	NO

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

Huntsman Corporation	Large accelerated filer	Accelerated filer	Non accelerated filer (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 7(a)(2)(B) of the Securities Act.

Huntsman Corporation	YES	NO
Huntsman International LLC	YES	NO

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

Huntsman Corporation	YES	NO
Huntsman International LLC	YES	NO

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

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

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10 Q FOR THE QUARTERLY PERIOD

ENDED JUNE 30, 2017

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ENDED JUNE 30, 2017

FORWARD LOOKING STATEMENTS

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

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

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

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

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

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

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

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

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

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Millions, Except Per Share Amounts)

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

Basic income (loss) per share:				
Income from continuing operations attributable to Huntsman Corporation common stockholders	$ 0.70	$ 0.37	$ 1.03	$ 0.62
Loss from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax	—	—	(0.01)	(0.01)
Net income attributable to Huntsman Corporation common stockholders	$ 0.70	$ 0.37	$ 1.02	$ 0.61

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

See accompanying notes to condensed consolidated financial statements.

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

See accompanying notes to condensed consolidated financial statements.

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

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

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

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Millions)

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

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

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Millions)

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

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

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

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Millions)

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

See accompanying notes to condensed consolidated financial statements.

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

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In Millions, Except Unit Amounts)

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

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

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

(Continued)

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Millions)

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

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

See accompanying notes to condensed consolidated financial statements.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

CERTAIN DEFINITIONS

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

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

INTERIM FINANCIAL STATEMENTS

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

DESCRIPTION OF BUSINESS

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

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

COMPANY

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

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

HUNTSMAN CORPORATION AND HUNTSMAN INTERNATIONAL FINANCIAL STATEMENTS

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

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

- the different capital structures; and

- a note payable from Huntsman International to us.

PRINCIPLES OF CONSOLIDATION

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

RECENT DEVELOPMENTS

Huntsman and Clariant Merger

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

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

Separation of our Pigments and Additives Business

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

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

Pori Fire

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

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

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

Early Prepayment of Debt

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

USE OF ESTIMATES

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

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Adopted During 2017

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

In March 2016, the FASB issued ASU No. 2016 09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share Based Payment Accounting. The amendments in this ASU simplify several aspects of the accounting for share based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. We adopted the amendments in this ASU effective January 1, 2017, and the initial adoption of the amendment in this ASU did not have a significant impact on our condensed consolidated financial statements.

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

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

Accounting Pronouncements Pending Adoption in Future Periods

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

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

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

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

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

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

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

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

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

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3. INVENTORIES

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

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

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

4. SEPARATION OF PIGMENTS AND ADDITIVES BUSINESS

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

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

5. VARIABLE INTEREST ENTITIES

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

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

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

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

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

· Viance, LLC ("Viance") is our 50%-owned joint venture with Dow Chemical. Viance markets timber treatment products for our Pigments and Additives segment. The joint venture sources all of its products

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

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

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

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

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

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

6. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS

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

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

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

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

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

	June 30, 2017	December 31, 2016
2015 and prior initiatives	$ 75	$ 88
2016 initiatives	1	3
2017 initiatives	24	—
Total	$ 100	$ 91

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

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

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

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

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

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	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
Accelerated depreciation	3	7
Reversal of reserves no longer required	—	(1)
Other non-cash charges	1	2
Total 2016 Restructuring, Impairment and Plant Closing Costs	$ 29	$ 42

2017 RESTRUCTURING ACTIVITIES

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

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

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

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

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

2016 RESTRUCTURING ACTIVITIES

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

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

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

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

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

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

7. DEBT

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

Huntsman Corporation

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

Huntsman International

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

DIRECT AND SUBSIDIARY DEBT

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

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

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

Debt Issuance Costs

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

Senior Credit Facilities

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

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

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

(2) The 2021 Term Loan B and the 2023 Term Loan B are subject to a 0.75% LIBOR floor.

(3) The applicable interest rate of the Revolving Facility is subject to certain secured leverage ratio thresholds. As of June 30, 2017, the weighted average interest rate on our outstanding balances under the Senior Credit Facilities was approximately 4%.

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

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

Seventeenth Amendment to Credit Agreement

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

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

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A/R Programs

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

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

(1) The amount of actual availability under our A/R Programs may be lower based on the level of eligible receivables sold, changes in the credit ratings of our customers, customer concentration levels and certain characteristics of the accounts receivable being transferred, as defined in the applicable agreements.

(2) The applicable rate for our U.S. A/R Program is defined by the lender as either USD LIBOR or CP rate. The applicable rate for our EU A/R Program is either GBP LIBOR, USD LIBOR or EURIBOR. In addition, the U.S. SPE and the EU SPE are obligated to pay unused commitment fees to the lenders based on the amount of each lender’s commitment.

(3) As of June 30, 2017, we had approximately $7 million (U.S. dollar equivalents) of letters of credit issued and outstanding under our U.S. A/R Program.

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

Venator Unsecured Notes

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

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

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

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

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

Venator Credit Facilities

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

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

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

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

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

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

Note Payable from Huntsman International to Huntsman Corporation

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

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COMPLIANCE WITH COVENANTS

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

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

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

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

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

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

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

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

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

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

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

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

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

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

9. FAIR VALUE

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

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

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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 and investments in equity securities are obtained through market observable pricing using prevailing market prices. The estimated fair values of our long-term debt are based on quoted market prices for the identical liability when traded as an asset in an active market (Level 1).

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

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

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

		Fair Value Amounts Using		
Description	December 31, 2016	Quoted prices in active markets for identical assets (Level 1)(3)	Significant other observable inputs (Level 2)(3)	Significant unobservable inputs (Level 3)

Assets:				
Available-for sale equity securities:				
Non-qualified employee benefit plan investments	$ 27	$ 27	$ —	$ —
Investments in equity securities	18	18	—	—
Derivatives:				
Cross-currency interest rate contracts(1)	29	—	—	29
Total assets	$ 74	$ 45	$ —	$ 29
Liabilities:				
Derivatives:				
Interest rate contracts(2)	$ (2)	$ —	$ (2)	$ —

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

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

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

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

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

	Three months 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 income (loss)	(13)	(13)
Purchases, sales, issuances and settlements	—	—
Ending balance, June 30, 2017	$ 16	$ 16
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at June 30, 2017	$ —	$ —

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

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

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

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

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

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

10. EMPLOYEE BENEFIT PLANS

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

Huntsman Corporation

Other Postretirement

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

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

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Huntsman International

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

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

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

11. COMMON STOCK DIVIDENDS

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

12. OTHER COMPREHENSIVE INCOME (LOSS)

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

Huntsman Corporation

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

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

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

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

	Foreign currency translation adjustment(a)	Pension and other postretirement benefits adjustments(b)	Other comprehensive income of unconsolidated affiliates	Other, net	Total	Amounts attributable to noncontrolling interests	Amounts attributable to Huntsman 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.

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(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.

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

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

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

(b) These accumulated other comprehensive loss components are included in the computation of net periodic pension costs. See “Note 10. Employee Benefit Plans.”

(c) Amounts contain approximately $1 million of actuarial losses related to discontinued operations for both of the three months ended June 30, 2017 and 2016 and $2 million of actuarial losses related to discontinued operations for both of the six months ended June 30, 2017 and 2016.

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Huntsman International

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

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

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

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

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

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

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

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

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

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

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

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

(b) These accumulated other comprehensive loss components are included in the computation of net periodic pension costs. See "Note 10. Employee Benefit Plans."

(c) Amounts contain approximately $1 million of actuarial losses related to discontinued operations for both the three months ended June 30, 2017 and 2016 and $2 million of actuarial losses related to discontinued operations for both the six months ended June 30, 2017 and 2016.

13. COMMITMENTS AND CONTINGENCIES

LEGAL MATTERS

Product Delivery Claim

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

Indemnification Matters

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

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

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

Other Proceedings

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

14. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

EHS CAPITAL EXPENDITURES

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

ENVIRONMENTAL RESERVES

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

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

ENVIRONMENTAL MATTERS

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

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

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

West Footscray Remediation

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

North Maybe Mine Remediation

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

Port Neches Flaring Matter

As part of the Environmental Protection Agency’s (the “EPA”) national enforcement initiative on flaring operations and by letter dated October 12, 2012, the U.S. Department of Justice (the "DOJ") notified us that we were in violation of the 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. We are currently unable to determine the likelihood or magnitude of any potential penalty or injunctive relief that may be incurred in resolving this matter.

15. STOCK BASED COMPENSATION PLANS

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

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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 ended ended June 30,		Six months ended ended June 30,	
	2017	2016	2017	2016
Huntsman Corporation compensation cost	$ 9	$ 9	$ 19	$ 17
Huntsman International compensation cost	9	9	18	16

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

STOCK OPTIONS

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