Huntsman CORP
Form 10-Q
October 30, 2018

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 September 30, 2018

OR

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

For the transition period from to

Commission File Number	Exact Name of Registrant as Specified in its Charter, Principal Office Address and Telephone Number	State of Incorporation or Organization	I.R.S. Employer Identification No.
001 32427	Huntsman Corporation 10003 Woodloch Forest Drive The Woodlands, Texas 77380 (281) 719-6000	Delaware	42 1648585
333 85141	Huntsman International LLC 10003 Woodloch Forest Drive The Woodlands, Texas 77380 (281) 719-6000	Delaware	87 0630358

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

Huntsman Corporation	YES	NO
Huntsman International LLC	YES	NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Huntsman Corporation	YES	NO
Huntsman International LLC	YES	NO

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

Huntsman Corporation	Large accelerated filer	Accelerated filer	Non accelerated filer	Smaller reporting company	Emerging growth company
Huntsman International LLC	Large accelerated filer	Accelerated filer	Non accelerated filer	Smaller reporting company	Emerging Growth company

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

Huntsman Corporation
Huntsman International LLC

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

Huntsman Corporation	YES	NO
Huntsman International LLC	YES	NO

On October 22, 2018, 238,321,460 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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ENDED SEPTEMBER 30, 2018

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.

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

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward looking statements contained in or contemplated by this report. Any forward looking statements should be considered in light of the risks set forth in “Part II. Item 1A. Risk Factors” below and “Part I. Item 1A. Risk Factors” in our Annual Report on Form 10 K for the year ended December 31, 2017.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Millions, Except Share and Per Share Amounts)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents(a)	$ 446	$ 470
Restricted cash(a)	—	11
Accounts and notes receivable (net of allowance for doubtful accounts of $24 and $25, respectively), ($402 and $334 pledged as collateral, respectively)(a)	1,379	1,256
Accounts receivable from affiliates	15	27
Inventories(a)	1,231	1,073
Prepaid expenses	50	60
Other current assets(a)	180	202
Current assets held for sale	2,916	2,880
Total current assets	6,217	5,979
Property, plant and equipment, net(a)	3,004	3,098
Investment in unconsolidated affiliates	303	266
Intangible assets, net(a)	119	56
Goodwill	388	140
Deferred income taxes	300	208
Other noncurrent assets(a)	565	497
Total assets	$ 10,896	$ 10,244
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable(a)	$ 964	$ 946
Accounts payable to affiliates	34	18
Accrued liabilities(a)	540	569
Current portion of debt(a)	200	40
Current liabilities held for sale	1,564	1,692
Total current liabilities	3,302	3,265
Long-term debt(a)	2,277	2,258
Deferred income taxes	280	264
Other noncurrent liabilities(a)	1,073	1,086
Total liabilities	6,932	6,873

Commitments and contingencies (Notes 15 and 16)		
Equity		
Huntsman Corporation stockholders' equity:		
Common stock $0.01 par value, 1,200,000,000 shares authorized, 255,949,032 and 252,759,715 shares issued and 237,446,147 and 240,213,606 shares outstanding, respectively	3	3
Additional paid-in capital	3,982	3,889
Treasury stock, 18,502,888 and 12,607,223 shares, respectively	(325)	(150)
Unearned stock-based compensation	(19)	(15)
Retained earnings	671	161
Accumulated other comprehensive loss	(1,354)	(1,268)
Total Huntsman Corporation stockholders' equity	2,958	2,620
Noncontrolling interests in subsidiaries	1,006	751
Total equity	3,964	3,371
Total liabilities and equity	$ 10,896	$ 10,244

(a) At September 30, 2018 and December 31, 2017, respectively, $23 and $15 of cash and cash equivalents, nil and $11 of restricted cash, $32 and $35 of accounts and notes receivable (net), $56 and $46 of inventories, $6 and $7 of other current assets, $257 and $283 of property, plant and equipment (net), $11 and $10 of intangible assets (net), $54 and $43 of other noncurrent assets, $91 and $109 of accounts payable, $33 and $32 of accrued liabilities, $23 and $21 of current portion of debt, $71 and $86 of long term debt, and $94 and $98 of other noncurrent liabilities from consolidated variable interest entities are included in the respective balance sheet captions above. See "Note 6. Variable Interest Entities."

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Millions, Except Per Share Amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenues:				
Trade sales, services and fees, net	$ 2,400	$ 2,137	$ 7,022	$ 6,048
Related party sales	44	32	121	107
Total revenues	2,444	2,169	7,143	6,155
Cost of goods sold	1,920	1,697	5,524	4,857
Gross profit	524	472	1,619	1,298
Operating expenses:				
Selling, general and administrative	213	198	612	583
Research and development	37	35	113	103
Restructuring, impairment and plant closing costs	5	1	8	13
Merger costs	1	12	2	18
Other operating expense (income), net	1	5	22	(9)
Total operating expenses	257	251	757	708
Operating income	267	221	862	590
Interest expense	(30)	(39)	(86)	(134)
Equity in income of investment in unconsolidated affiliates	14	1	45	4
Loss on early extinguishment of debt	—	(35)	(3)	(36)
Other income, net	5	3	20	7
Income from continuing operations before income taxes	256	151	838	431
Income tax expense	(27)	(35)	(84)	(78)
Income from continuing operations	229	116	754	353
(Loss) income from discontinued operations, net of tax	(237)	63	211	101
Net (loss) income	(8)	179	965	454
Net income attributable to noncontrolling interests	(3)	(32)	(288)	(64)
Net (loss) income attributable to Huntsman Corporation	$ (11)	$ 147	$ 677	$ 390
Basic (loss) income per share:				
Income from continuing operations attributable to Huntsman Corporation common stockholders	$ 0.86	$ 0.36	$ 2.88	$ 1.22
(Loss) income from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax	(0.91)	0.26	(0.05)	0.42
Net (loss) income attributable to Huntsman Corporation common stockholders	$ (0.05)	$ 0.62	$ 2.83	$ 1.64
Weighted average shares	237.9	238.5	239.1	238.0
Diluted (loss) income per share:				

Income from continuing operations attributable to Huntsman Corporation common stockholders	$ 0.85	$ 0.34	$ 2.83	$ 1.19
(Loss) income from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax	(0.90)	0.26	(0.04)	0.41
Net (loss) income attributable to Huntsman Corporation common stockholders	$ (0.05)	$ 0.60	$ 2.79	$ 1.60
Weighted average shares	240.8	244.0	243.0	243.5
Amounts attributable to Huntsman Corporation common stockholders:				
Income from continuing operations	$ 205	$ 84	$ 688	$ 289
(Loss) income from discontinued operations, net of tax	(216)	63	(11)	101
Net (loss) income	$ (11)	$ 147	$ 677	$ 390
Dividends per share	$ 0.1625	$ 0.125	$ 0.4875	$ 0.375

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In Millions)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net (loss) income	$ (8)	$ 179	$ 965	$ 454
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(41)	66	(156)	201
Pension and other postretirement benefits adjustments	16	18	61	55
Other, net	—	(1)	(8)	(3)
Other comprehensive (loss) income, net of tax	(25)	83	(103)	253
Comprehensive (loss) income	(33)	262	862	707
Comprehensive income attributable to noncontrolling interests	(2)	(37)	(256)	(76)
Comprehensive (loss) income attributable to Huntsman Corporation	$ (35)	$ 225	$ 606	$ 631

See accompanying notes to condensed consolidated financial statements.

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In Millions, Except Share Amounts)

	Huntsman Corporation Stockholders' Equity								
	Shares Common stock	Common stock	Additional paid-in capital	Treasury stock	Unearned stock-based compensation	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Noncontrolling interests in subsidiaries	Total equity
Balance, January 1, 2018	240,213,606	$ 3	$ 3,889	$ (150)	$ (15)	$ 161	$ (1,268)	$ 751	$ 3,371
Cumulative effect of changes in fair value of equity investments	—	—	—	—	—	10	(10)	—	—
Revised balance January 1, 2018	240,213,606	3	3,889	(150)	(15)	171	(1,278)	751	3,371
Net income	—	—	—	—	—	677	—	288	965
Other comprehensive loss	—	—	—	—	—	—	(76)	(27)	(103)
Issuance of nonvested stock awards	—	—	14	—	(14)	—	—	—	—
Vesting of stock awards	1,127,211	—	11	—	—	—	—	—	11
Recognition of stock-based compensation	—	—	6	—	10	—	—	—	16
Repurchase and cancellation of stock awards	(259,495)	—	—	—	—	(30)	—	—	(30)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(33)	(33)
Stock options exercised	2,260,490	—	46	—	—	(29)	—	—	17
Repurchase of common stock	(5,895,665)	—	—	(175)	—	—	—	—	(175)
Disposition of a portion of P&A Business	—	—	18	—	—	—	—	—	18
Costs of the secondary offering of P&A Business	—	—	(2)	—	—	—	—	—	(2)

Noncontrolling interest from partial disposal of P&A Business	—	—	—	—	—	—	—	27	27
Accrued and unpaid dividends	—	—	—	—	—	(1)	—	—	(1)
Dividends declared on common stock	—	—	—	—	—	(117)	—	—	(117)
Balance, September 30, 2018	237,446,147	$ 3	$ 3,982	$ (325)	$ (19)	$ 671	$ (1,354)	$ 1,006	$ 3,964
Balance, January 1, 2017	236,370,347	$ 3	$ 3,447	$ (150)	$ (17)	$ (325)	$ (1,671)	$ 180	$ 1,467
Net income	—	—	—	—	—	390	—	64	454
Other comprehensive income	—	—	—	—	—	—	313	(60)	253
Issuance of nonvested stock awards	—	—	17	—	(17)	—	—	—	—
Vesting of stock awards	1,200,218	—	8	—	—	—	—	—	8
Recognition of stock-based compensation	—	—	7	—	13	—	—	—	20
Repurchase and cancellation of stock awards	(348,887)	—	—	—	—	(8)	—	—	(8)
Contribution from noncontrolling interests	—	—	—	—	—	—	—	4	4
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(26)	(26)
Disposition of a portion of P&A Business	—	—	209	—	—	—	—	—	209
Separation costs of P&A Business	—	—	(40)	—	—	—	—	—	(40)
Conversion of restricted awards to P&A Business awards	—	—	(2)	—	2	—	—	—	—
Noncontrolling interest from partial disposal of P&A Business	—	—	—	—	—	—	—	318	318
Stock options exercised	1,388,141	—	37	—	—	(15)	—	—	22
Dividends declared on common stock	—	—	—	—	—	(90)	—	—	(90)

Balance, September 30, 2017	238,609,819	$ 3	$ 3,683	$ (150)	$ (19)	$ (48)	$ (1,358)	$ 480	$ 2,591

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

	Nine months ended September 30, 2018	2017
Operating Activities:		
Net income	$ 965	$ 454
Less: Income from discontinued operations, net of tax	(211)	(101)
Income from continuing operations	754	353
Adjustments to reconcile income from continuing operations to net cash provided by operating activities from continuing operations:		
Equity in income of investment in unconsolidated affiliates	(45)	(4)
Depreciation and amortization	250	235
Loss (gain) on disposal of businesses/assets, net	3	(5)
Loss on early extinguishment of debt	3	36
Noncash interest expense	1	7
Noncash restructuring and impairment charges	2	—
Deferred income taxes	(94)	24
Noncash loss (gain) on foreign currency transactions	3	(4)
Stock-based compensation	22	25
Other, net	5	3
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts and notes receivable	(129)	(148)
Inventories	(170)	(118)
Prepaid expenses	7	2
Other current assets	12	31
Other noncurrent assets	(75)	(22)
Accounts payable	62	95
Accrued liabilities	(15)	46
Other noncurrent liabilities	38	(18)
Net cash provided by operating activities from continuing operations	634	538
Net cash provided by operating activities from discontinued operations	300	205
Net cash provided by operating activities	934	743
Investing Activities:		
Capital expenditures	(180)	(159)
Acquisition of businesses, net of cash acquired	(366)	(14)
Proceeds from sale of businesses/assets	—	21
Cash received from termination of cross-currency interest rate contracts	—	7
Net cash used in investing activities from continuing operations	(546)	(145)
Net cash used in investing activities from discontinued operations	(265)	(49)

Net cash used in investing activities	(811)	(194)

(Continued)

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Millions)

	Nine months ended September 30,	
	2018	2017
Financing Activities:		
Net borrowings (repayments) under revolving loan facilities	$ 265	$ (36)
Repayments of short-term debt	(6)	(10)
Borrowings on short-term debt	6	6
Repayments of long-term debt	(59)	(1,439)
Proceeds from long-term debt of P&A Business	—	750
Proceeds from issuance of long-term debt	—	24
Repayments of notes payable	(24)	(20)
Borrowings on notes payable	—	11
Debt issuance costs paid	(4)	(21)
Dividends paid to noncontrolling interests	(33)	(26)
Contribution from noncontrolling interests	—	4
Dividends paid to common stockholders	(118)	(90)
Repurchase and cancellation of stock awards	(30)	(8)
Proceeds from issuance of common stock	17	22
Repurchase of common stock	(175)	—
Proceeds from the IPO of P&A Business	—	522
Cash paid for expenses for the IPO of P&A Business	—	(40)
Proceeds from the secondary offering of P&A Business	44	—
Cash paid for expenses of the secondary offering of P&A Business	(2)	—
Other, net	2	2
Net cash used in financing activities	(117)	(349)
Effect of exchange rate changes on cash	(28)	12
(Decrease) increase in cash, cash equivalents and restricted cash	(22)	212
Cash, cash equivalents and restricted cash from continuing operations at beginning of period	481	396
Cash, cash equivalents and restricted cash from discontinued operations at beginning of period	238	29
Cash, cash equivalents and restricted cash at end of period	$ 697	$ 637
Supplemental cash flow information:		
Cash paid for interest	$ 114	$ 122
Cash paid (received) for income taxes	145	(31)

As of September 30, 2018 and 2017, the amount of capital expenditures in accounts payable was $26 million and $39 million, respectively. In addition, as of September 30, 2018, the amount of cash interest and cash income taxes included in our supplemental cash flow information related to cash paid for interest and cash paid for income taxes that was paid by our P&A Business was $41 million and $28 million, respectively. As of September 30, 2017, the amount of cash interest and cash income taxes included in our supplemental cash flow information related to cash paid for interest and cash paid for income taxes that was paid by our P&A Business was nil and $5 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)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents(a)	$ 445	$ 468
Restricted cash(a)	—	11
Accounts and notes receivable (net of allowance for doubtful accounts of $24 and $25, respectively), ($402 and $334 pledged as collateral, respectively)(a)	1,379	1,255
Accounts receivable from affiliates	396	373
Inventories(a)	1,231	1,073
Prepaid expenses	49	59
Other current assets(a)	187	204
Current assets held for sale	2,916	2,880
Total current assets	6,603	6,323
Property, plant and equipment, net(a)	3,003	3,095
Investment in unconsolidated affiliates	303	266
Intangible assets, net(a)	119	56
Goodwill	388	140
Deferred income taxes	300	208
Other noncurrent assets(a)	566	497
Total assets	$ 11,282	$ 10,585
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable(a)	$ 964	$ 946
Accounts payable to affiliates	101	70
Accrued liabilities(a)	537	566
Notes payable to affiliates	100	100
Current portion of debt(a)	200	40
Current liabilities held for sale	1,564	1,692
Total current liabilities	3,466	3,414
Long-term debt(a)	2,277	2,258
Notes payable to affiliates	589	742
Deferred income taxes	283	265
Other noncurrent liabilities(a)	1,063	1,072
Total liabilities	7,678	7,751
Commitments and contingencies (Notes 15 and 16)		
Equity		
Huntsman International LLC members' equity:		
Members' equity, 2,728 units issued and outstanding	3,653	3,616

Retained earnings (accumulated deficit)	291	(270)
Accumulated other comprehensive loss	(1,346)	(1,263)
Total Huntsman International LLC members' equity	2,598	2,083
Noncontrolling interests in subsidiaries	1,006	751
Total equity	3,604	2,834
Total liabilities and equity	$ 11,282	$ 10,585

(a) At September 30, 2018 and December 31, 2017, respectively, $23 and $15 of cash and cash equivalents, nil and $11 of restricted cash, $32 and $35 of accounts and notes receivable (net), $56 and $46 of inventories, $6 and $7 of other current assets, $257 and $283 of property, plant and equipment (net), $11 and $10 of intangible assets (net), $54 and $43 of other noncurrent assets, $91 and $109 of accounts payable, $33 and $32 of accrued liabilities, $23 and $21 of current portion of debt, $71 and $86 of long term debt, and $94 and $98 of other noncurrent liabilities from consolidated variable interest entities are included in the respective balance sheet captions above. See "Note 6. Variable Interest Entities."

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Millions)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenues:				
Trade sales, services and fees, net	$ 2,400	$ 2,137	$ 7,022	$ 6,048
Related party sales	44	32	121	107
Total revenues	2,444	2,169	7,143	6,155
Cost of goods sold	1,919	1,695	5,521	4,852
Gross profit	525	474	1,622	1,303
Operating expenses:				
Selling, general and administrative	212	197	609	579
Research and development	37	35	113	103
Restructuring, impairment and plant closing costs	5	1	8	13
Merger costs	1	12	2	18
Other operating expense (income), net	3	5	24	(9)
Total operating expenses	258	250	756	704
Operating income	267	224	866	599
Interest expense	(36)	(44)	(102)	(146)
Equity in income of investment in unconsolidated affiliates	14	1	45	4
Loss on early extinguishment of debt	—	(35)	(3)	(36)
Other income, net	7	3	20	8
Income from continuing operations before income taxes	252	149	826	429
Income tax expense	(26)	(34)	(81)	(77)
Income from continuing operations	226	115	745	352
(Loss) income from discontinued operations, net of tax	(237)	62	211	98
Net (loss) income	(11)	177	956	450
Net income attributable to noncontrolling interests	(3)	(32)	(288)	(64)
Net (loss) income attributable to Huntsman International LLC	$ (14)	$ 145	$ 668	$ 386

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In Millions)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net (loss) income	$ (11)	$ 177	$ 956	$ 450
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment	(42)	65	(157)	199
Pension and other postretirement benefits adjustments	17	39	62	80
Other, net	—	—	(5)	(2)
Other comprehensive (loss) income, net of tax	(25)	104	(100)	277
Comprehensive (loss) income	(36)	281	856	727
Comprehensive income attributable to noncontrolling interests	(2)	(37)	(256)	(76)
Comprehensive (loss) income attributable to Huntsman International LLC	$ (38)	$ 244	$ 600	$ 651

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	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Noncontrolling interests in subsidiaries	Total equity
Balance, January 1, 2018	2,728	$ 3,616	$ (270)	$ (1,263)	$ 751	$ 2,834
Cumulative effect of changes in fair value of equity investments	—	—	10	(10)	—	—
Revised balance January 1, 2018	2,728	3,616	(260)	(1,273)	751	2,834
Net income	—	—	668	—	288	956
Dividends paid to parent	—	—	(117)	—	—	(117)
Other comprehensive loss	—	—	—	(73)	(27)	(100)
Contribution from parent	—	21	—	—	—	21
Disposition of a portion of P&A Business	—	18	—	—	—	18
Costs of the secondary offering of P&A Business	—	(2)	—	—	—	(2)
Noncontrolling interest from partial disposal of P&A Business	—	—	—	—	27	27
Dividends paid to noncontrolling interests	—	—	—	—	(33)	(33)
Balance, September 30, 2018	2,728	$ 3,653	$ 291	$ (1,346)	$ 1,006	$ 3,604
Balance, January 1, 2017	2,728	$ 3,226	$ (779)	$ (1,691)	$ 180	$ 936
Net income	—	—	386	—	64	450
Dividends paid to parent	—	—	(90)	—	—	(90)
Other comprehensive income	—	—	—	337	(60)	277
Contribution from parent	—	26	—	—	—	26
Contribution from noncontrolling interests	—	—	—	—	4	4
Dividends paid to noncontrolling interests	—	—	—	—	(26)	(26)
Separation costs of P&A Business	—	(40)	—	—	—	(40)
Noncontrolling interest from partial disposal of P&A Business	—	—	—	—	318	318
Other	—	(9)	—	—	—	(9)
Disposition of a portion of P&A Business	—	209	—	—	—	209
Balance, September 30, 2017	2,728	$ 3,412	$ (483)	$ (1,354)	$ 480	$ 2,055

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)

	Nine months ended September 30,	
	2018	2017
Operating Activities:		
Net income	$ 956	$ 450
Less: Income from discontinued operations, net of tax	(211)	(98)
Income from continuing operations	745	352
Adjustments to reconcile income from continuing operations to net cash provided by operating activities from continuing operations:		
Equity in income of investment in unconsolidated affiliates	(45)	(4)
Depreciation and amortization	247	227
Loss on disposal of businesses/assets, net	3	(5)
Loss on early extinguishment of debt	3	36
Noncash interest expense	17	19
Noncash restructuring and impairment charges	2	—
Deferred income taxes	(93)	24
Noncash loss (gain) on foreign currency transactions	3	(4)
Noncash compensation	21	24
Other, net	7	3
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts and notes receivable	(130)	(147)
Inventories	(170)	(118)
Prepaid expenses	6	3
Other current assets	9	30
Other noncurrent assets	(75)	(22)
Accounts payable	45	84
Accrued liabilities	(15)	45
Other noncurrent liabilities	40	(11)
Net cash provided by operating activities from continuing operations	620	536
Net cash provided by operating activities from discontinued operations	300	202
Net cash provided by operating activities	920	738
Investing Activities:		
Capital expenditures	(180)	(159)
Acquisition of businesses, net of cash acquired	(366)	(14)
Proceeds from sale of businesses/assets	—	21
Increase in receivable from affiliate	(19)	(3)
Cash received from termination of cross-currency interest rate contracts	—	7
Other, net	—	1

Net cash used in investing activities from continuing operations	(565)	(147)
Net cash used in investing activities from discontinued operations	(265)	(49)
Net cash used in investing activities	(830)	(196)

(Continued)

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Millions)

	Nine months ended September 30,	
	2018	2017
Financing Activities:		
Net borrowings (repayments) under revolving loan facilities	$ 265	$ (36)
Repayments of short-term debt	(6)	(10)
Borrowings on short-term debt	6	6
Repayments of long-term debt	(59)	(1,439)
Proceeds from long-term debt of P&A Business	—	750
Proceeds from issuance of long-term debt	—	24
Repayments of notes payable to affiliate	(154)	—
Proceeds from issuance of notes payable to affiliate	—	21
Repayments of notes payable	(24)	(20)
Borrowings on notes payable	—	11
Debt issuance costs paid	(4)	(21)
Dividends paid to noncontrolling interests	(33)	(26)
Contribution from noncontrolling interests	—	4
Dividends paid to parent	(117)	(90)
Proceeds from the IPO of P&A Business	—	522
Cash paid for expenses of the IPO of P&A Business	—	(40)
Proceeds from the secondary offering of P&A Business	44	—
Cash paid for expenses of the secondary offering of P&A Business	(2)	—
Other, net	1	1
Net cash used in financing activities	(83)	(343)
Effect of exchange rate changes on cash	(28)	12
(Decrease) increase in cash, cash equivalents and restricted cash	(21)	211
Cash, cash equivalents and restricted cash from continuing operations at beginning of period	479	395
Cash, cash equivalents and restricted cash from discontinued operations at beginning of period	238	29
Cash, cash equivalents and restricted cash at end of period	$ 696	$ 635
Supplemental cash flow information:		
Cash paid for interest	$ 114	$ 122
Cash paid (received) for income taxes	145	(31)

As of September 30, 2018 and 2017, the amount of capital expenditures in accounts payable was $26 million and $39 million, respectively. During the nine months ended September 30, 2018 and 2017, Huntsman Corporation contributed $21 million and $24 million, respectively, related to stock-based compensation for continuing operations. In addition, as of September 30, 2018, the amount of cash interest and cash income taxes included in our supplemental cash flow information related to cash paid for interest and cash paid for income taxes that was paid by our P&A Business after the IPO date was $41 million and $28 million, respectively. As of September 30, 2017, the amount of cash interest and cash income taxes included in our supplemental cash flow information related to cash paid for interest and cash paid for income taxes that was paid by our P&A Business was nil and $5 million, respectively.

See accompanying notes to condensed consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Certain Definitions

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

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

Interim Financial Statements

Our unaudited interim condensed consolidated financial statements and Huntsman International’s unaudited interim condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP” or “U.S. GAAP”) and in management’s opinion reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of results of operations, comprehensive income, financial position and cash flows for the periods presented. Results for interim periods are not necessarily indicative of those to be expected for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements included in the Annual Report on Form 10 K for the year ended December 31, 2017 for our Company and Huntsman International.

Description of Business

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

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

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

Company

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

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

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Huntsman Corporation and Huntsman International Financial Statements

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

- purchase accounting recorded at our Company for the 2003 step acquisition of Huntsman International Holdings LLC, the former parent company of Huntsman International that was merged into Huntsman International in 2005;
- the different capital structures; and
- a note payable from Huntsman International to us.

Principles of Consolidation

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

Reclassifications

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

Goodwill

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

	Polyurethanes	Performance Products	Advanced Materials	Total
Balance as of January 1, 2018	$ 40	$ 17	$ 83	$ 140
Goodwill acquired during year	225	—	28	253
Foreign currency effect on balance	(5)	—	—	(5)
Balance as of September 30, 2018	$ 260	$ 17	$ 111	$ 388

See "Note 3. Business Combination."

Use of Estimates

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

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Adopted During 2018

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014 09, Revenue from Contracts with Customers (Topic 606), outlining a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers and supersedes most current revenue recognition guidance. In March

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

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

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

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

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

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

Accounting Pronouncements Pending Adoption in Future Periods

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The amendments in this ASU will increase transparency and comparability among entities by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in 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. In January 2018, the FASB issued ASU No. 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842, providing an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840, and in July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, providing an optional transition method allowing entities to initially apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The amendments in these ASUs are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early application of the amendments in these ASUs is permitted for all entities. Reporting entities can elect to recognize and measure leases under these amendments at the beginning of the earliest period presented using a modified retrospective approach or otherwise elect the transition method provided under ASU No. 2018-11. We are currently evaluating the impact of the adoption of the amendments in these ASUs on our condensed consolidated financial statements and believe, based on our preliminary assessment, that we will record significant additional right-to-use assets and lease obligations. We are establishing and evaluating an inventory of our existing leases for consideration of the accounting impact of each lease. We have selected a lease accounting software solution to support the new requirements under the amendments in these ASUs. We are also evaluating key policy elections and considerations under the amendments in these ASUs and are developing internal policies to address these amendments.

In August 2017, the FASB issued ASU No. 2017 12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The amendments in this ASU better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships as well as the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements to increase the understandability of the results of an entity's intended hedging strategies. The amendments in this ASU also include certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted in any interim period after the issuance of this ASU. Transition requirements and elections

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should be applied to hedging relationships existing on the date of adoption. For cash flow and net investment hedges, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness, and the amended presentation and disclosure guidance is required only prospectively. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018 13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this ASU modify certain disclosure requirements on fair value measurements in Topic 820 to improve the effectiveness of such disclosures. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this ASU. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018 14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans. The amendments in this ASU modify certain disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing disclosures that no longer are considered cost beneficial, clarifying the specific requirements of disclosures and adding disclosure requirements identified as relevant. The amendments in this ASU are effective for fiscal years ending after December 15, 2020 and should be applied on a retrospective basis to all periods presented. Early adoption is permitted. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018 15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after the issuance of this ASU. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements.

In August 2018, the Securities and Exchange Commission (“SEC”) issued a final rule, SEC Final Rule Release No. 33-10532, Disclosure Update and Simplification, that amends certain of its disclosure requirements that have become redundant, duplicative, overlapping, outdated or superseded, in light of other SEC disclosure requirements or U.S.

GAAP. For filings on Form 10-Q, the final rule, amongst other items, extends to interim periods the annual requirement to disclose changes in stockholders' equity. As amended by the final rule, registrants must now analyze changes in stockholders' equity, in the form of a reconciliation, for the then current and comparative year-to-date interim periods, with subtotals for each interim period. The final rule becomes effective on November 5, 2018, that date being 30 days after its publication in the Federal Register. As such, we will apply these changes in the presentation of stockholders' equity beginning with our March 31, 2019 Form 10-Q.

3. BUSINESS COMBINATION

On April 23, 2018, we acquired 100% of the outstanding equity interests of Demilec (USA) Inc. and Demilec Inc. (collectively, "Demilec") for approximately $353 million, including working capital adjustments, in an all-cash transaction ("Demilec Acquisition"), which was funded from our previous $650 million senior secured revolving credit facility (the "Prior Credit Facility") and our U.S. accounts receivable securitization program ("A/R Program"). Demilec is a leading North American manufacturer and distributor of spray polyurethane foam formulations for residential and commercial applications. The acquired business was integrated into our Polyurethanes segment. Transaction costs charged to expense related to this acquisition were approximately $3 million and nil for the nine months ended September 30, 2018 and 2017, respectively, and were recorded in other operating expense (income), net in our

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condensed consolidated statements of operations. The Demilec Acquisition was aligned with our stated strategy to grow our downstream polyurethanes business and leverage our global platform to expand Demilec's portfolio of spray polyurethane foam formulations into international markets.

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

Fair value of assets acquired and liabilities assumed:	
Cash paid for Demilec Acquisition in Q2 2018	$ 357
Purchase price adjustment received in Q3 2018	(4)
Net acquisition cost	$ 353
Cash	$ 1
Accounts receivable	32
Inventories	23
Prepaid expenses and other current assets	1
Property, plant and equipment, net	25
Intangible assets	68
Goodwill	225
Accounts payable	(16)
Accrued liabilities	(4)
Other noncurrent liabilities	(2)
Total fair value of net assets acquired	$ 353

The acquisition cost allocation is preliminary pending final determination of the fair value of assets acquired and liabilities assumed, including final valuation of property, plant and equipment, intangible assets and deferred taxes. Intangible assets acquired included in this preliminary allocation consist primarily of trademarks, trade secrets and customer relationships. The applicable amortization periods are still being assessed. For purposes of this preliminary allocation of fair value, we have assigned any excess of the acquisition cost of historical carrying values to goodwill. During the third quarter of 2018, we received $4 million related to the settlement of certain purchase price adjustments. These purchase price adjustments were allocated to goodwill in the preliminary acquisition cost allocation. The estimated goodwill recognized is attributable primarily to projected future profitable growth, penetration into downstream markets, and synergies. On a preliminary basis, we expect that none of the estimated goodwill arising from the acquisition will be deductible for income tax purposes.

It is possible that material changes to this preliminary purchase price allocation could occur. The acquired business had revenues and net income of $85 million and $3 million, respectively, for the period from the date of acquisition to September 30, 2018.

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

Huntsman Corporation

	Pro Forma (Unaudited) Three months ended September 30,	Pro Forma (Unaudited) Nine months ended September 30,	
	2017	2018	2017
Revenues	$ 2,212	$ 7,201	$ 6,269
Net income	180	954	448
Net income attributable to Huntsman Corporation	148	666	384
Income per share:			
Basic	0.62	2.79	1.61
Diluted	0.61	2.74	1.58

Huntsman International

	Pro Forma (Unaudited) Three months ended September 30,	Pro Forma (Unaudited) Nine months ended September 30,	
	2017	2018	2017
Revenues	$ 2,212	$ 7,201	$ 6,269
Net income	178	945	444
Net income attributable to Huntsman International	146	657	380

4. DISCONTINUED OPERATIONS

In 2017, we separated the P&A Business and conducted both an IPO and a secondary offering of ordinary shares of Venator, formerly a wholly-owned subsidiary of Huntsman. On January 3, 2018, the underwriters purchased an additional 1,948,955 Venator ordinary shares pursuant to the exercise of the underwriters' option to purchase additional shares. All of the ordinary shares offered in the IPO and the secondary offering were sold by Huntsman, and Venator did not receive any proceeds from the offerings. As of September 30, 2018, we retained approximately 53% ownership in Venator. We are actively marketing our retained ownership in Venator at a reasonable price. We have presented Venator as held for sale as a single asset and liability in our condensed consolidated balance sheets. During the third quarter of 2018, we recognized a net after tax valuation allowance of $270 million to adjust the carrying amounts of assets and liabilities held for sale and the amount of accumulated other comprehensive income recorded in equity related to Venator, which will be released upon sale, to the lower of cost or estimated fair value, less cost to sell.

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

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

	September 30, 2018	December 31, 2017
Carrying amounts of major classes of assets held for sale:		
Accounts receivable	$ 398	$ 380
Inventories	513	454
Other current assets	337	318
Property, plant and equipment, net	1,679	1,424
Deferred income taxes	118	158
Other noncurrent assets	141	146
Valuation allowance(2)	(270)	—
Total assets held for sale(1)	$ 2,916	$ 2,880
Carrying amounts of major classes of liabilities held for sale:		
Accounts payable	$ 375	$ 385
Accrued liabilities	146	236
Other current liabilities	16	25
Long-term debt	744	746
Other noncurrent liabilities	283	300
Total liabilities held for sale(1)	$ 1,564	$ 1,692

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

Huntsman Corporation

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Major classes of line items constituting pretax income of discontinued operations:				
Trade sales, services and fees, net	$ 539	$ 589	$ 1,796	$ 1,700
Cost of goods sold	438	475	1,032	1,426
Other expense items, net that are not major	120	34	231	132
(Loss) income from discontinued operations before income taxes	(19)	80	533	142
Income tax benefit (expense)	52	(17)	(52)	(41)

Valuation allowance(2)	(270)	—	(270)	—
(Loss) income from discontinued operations, net of tax	(237)	63	211	101
Net income attributable to noncontrolling interests	(2)	(2)	(6)	(8)
Net (loss) income attributable to discontinued operations	$ (239)	$ 61	$ 205	$ 93

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Huntsman International

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Major classes of line items constituting pretax income of discontinued operations:				
Trade sales, services and fees, net	$ 539	$ 589	$ 1,796	$ 1,700
Cost of goods sold	438	474	1,032	1,425
Other expense items, net that are not major	120	36	231	136
(Loss) income from discontinued operations before income taxes	(19)	79	533	139
Income tax benefit (expense)	52	(17)	(52)	(41)
Valuation allowance(2)	(270)	—	(270)	—
(Loss) income from discontinued operations, net of tax	(237)	62	211	98
Net income attributable to noncontrolling interests	(2)	(2)	(6)	(8)
Net (loss) income attributable to discontinued operations	$ (239)	$ 60	$ 205	$ 90

(1) We have presented Venator as held for sale as a single asset and liability in our condensed consolidated balance sheets. We are actively marketing our retained ownership in Venator at a reasonable price.

(2) During the third quarter of 2018, we recognized a net after tax valuation allowance of $270 million to adjust the net carrying amount of Venator to the lower of cost or estimated fair value, less cost to sell. The fair value less cost to sell utilized the observable stock price of Venator plus an estimated control premium less estimated selling costs (Level 3).

5. INVENTORIES

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

	September 30, 2018	December 31, 2017
Raw materials and supplies	$ 257	$ 189
Work in progress	53	48
Finished goods	982	897
Total	1,292	1,134
LIFO reserves	(61)	(61)
Net inventories	$ 1,231	$ 1,073

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

6. VARIABLE INTEREST ENTITIES

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

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

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

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

Creditors of these entities have no recourse to our general credit. See "Note 8. Debt—Direct and Subsidiary Debt." As the primary beneficiary of these variable interest entities at September 30, 2018, the joint ventures' assets, liabilities and results of operations are included in our condensed consolidated financial statements.

The following table summarizes the carrying amount of our variable interest entities' assets and liabilities included in our condensed consolidated balance sheet as of September 30, 2018 and our consolidated balance sheet as of December 31, 2017 (dollars in millions):

	September 30, 2018	December 31, 2017
Current assets	$ 118	$ 114
Property, plant and equipment, net	257	283
Other noncurrent assets	119	116
Deferred income taxes	34	33
Intangible assets	11	10
Goodwill	14	14
Total assets	$ 553	$ 570
Current liabilities	$ 147	$ 163
Long-term debt	71	86
Deferred income taxes	12	12
Other noncurrent liabilities	94	98
Total liabilities	$ 324	$ 359

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenues	$ 39	$ 32	$ 116	$ 99
Income from continuing operations before income taxes	8	8	27	22
Net cash provided by operating activities	21	20	50	42

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7. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS

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

	Workforce reductions(1)	Demolition and decommissioning	Non-cancelable lease and contract termination costs	Other restructuring costs	Total(2)
Accrued liabilities as of January 1, 2018	$ 5	$ 2	$ 41	$ 5	$ 53
2018 charges (credits) for 2017 and prior initiatives	1	—	1	(3)	(1)
2018 charges for 2018 initiatives	—	—	—	7	7
2018 (payments) credits for 2017 and prior initiatives	(3)	(1)	(1)	3	(2)
2018 payments for 2018 initiatives	—	—	—	(5)	(5)
Foreign currency effect on liability balance	—	—	1	—	1
Accrued liabilities as of September 30, 2018	$ 3	$ 1	$ 42	$ 7	$ 53

(1) The workforce reduction reserves relate to the termination of 52 positions, of which 9 positions had not been terminated as of September 30, 2018.

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

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

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

Performance	Advanced	Textile	Corporate

	Polyurethanes	Products	Materials	Effects	and other	Total
Accrued liabilities as of January 1, 2018	$ 1	$ 1	$ 3	$ 47	$ 1	$ 53
2018 charges (credits) for 2017 and prior initiatives	—	1	—	(4)	2	(1)
2018 charges for 2018 initiatives	—	—	—	—	7	7
2018 payments for 2017 and prior initiatives	(1)	(1)	—	—	—	(2)
2018 payments for 2018 initiatives	—	—	—	—	(5)	(5)
Foreign currency effect on liability balance	—	—	—	1	—	1
Accrued liabilities as of September 30, 2018	$ —	$ 1	$ 3	44	$ 5	$ 53
Current portion of restructuring reserves	$ —	$ 1	$ 1	$ 3	$ 5	$ 10
Long-term portion of restructuring reserves	—	—	2	41	—	43

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

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Cash charges:		
2018 charges for 2017 and prior initiatives	$ 3	$ (1)
2018 charges for 2018 initiatives	2	7
Noncash charges:		
Other noncash charges	—	2
Total 2018 restructuring, impairment and plant closing costs	$ 5	$ 8

	Three months ended September 30, 2017	Nine months ended September 30, 2017
Cash charges:		
2017 charges for 2016 and prior initiatives	$ 2	$ 7
2017 charges for 2017 initiatives	—	6
Pension-related charges	—	1
Noncash charges:		
Accelerated depreciation	—	2
Other noncash credits	(1)	(3)
Total 2017 restructuring, impairment and plant closing costs	$ 1	$ 13

2018 Restructuring Activities

In September 2011, we implemented a significant restructuring of our Textile Effects segment (“Textile Effects Restructuring”), including the closure of our production facilities and business support offices in Basel, Switzerland. In connection with this restructuring plan, during the nine months ended September 30, 2018, our Textile Effects segment recorded a credit of $4 million primarily related to a gain on the sale of land at the Basel, Switzerland site.

Our Corporate and other segment recorded restructuring expense of $9 million in the nine months ended September 30, 2018 related to corporate initiatives.

2017 Restructuring Activities

In connection with the Textile Effects Restructuring involving the closure of our production facilities and business support offices in Basel, Switzerland, we recorded restructuring expense of $4 million in the nine months ended September 30, 2017.

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

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8. DEBT

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

Huntsman Corporation

	September 30, 2018	December 31, 2017
Revolving credit facility	$ 175	$ —
Amounts outstanding under A/R programs	269	180
Senior notes	1,917	1,927
Variable interest entities	94	107
Other	22	84
Total debt	$ 2,477	$ 2,298
Total current portion of debt	$ 200	$ 40
Long-term portion of debt	2,277	2,258
Total debt	$ 2,477	$ 2,298

Huntsman International

	September 30, 2018	December 31, 2017
Revolving credit facility	$ 175	$ —
Amounts outstanding under A/R programs	269	180
Senior notes	1,917	1,927
Variable interest entities	94	107
Other	22	84
Total debt, excluding debt to affiliates	$ 2,477	$ 2,298
Total current portion of debt	$ 200	$ 40
Long-term portion of debt	2,277	2,258
Total debt, excluding debt to affiliates	$ 2,477	$ 2,298
Total debt, excluding debt to affiliates	$ 2,477	$ 2,298
Notes payable to affiliates-current	100	100
Notes payable to affiliates-noncurrent	589	742
Total debt	$ 3,166	$ 3,140

Direct and Subsidiary Debt

Huntsman Corporation's direct debt and guarantee obligations consist of a guarantee of certain indebtedness incurred from time to time to finance certain insurance premiums. Substantially all of our other debt, including the facilities described below, has been incurred by our subsidiaries (primarily Huntsman International). Huntsman Corporation is not a guarantor of such subsidiary debt.

Certain of our subsidiaries have third party debt agreements that contain certain restrictions with regard to dividends, distributions, loans or advances. In certain circumstances, the consent of a third party would be required prior to the transfer of any cash or assets from these subsidiaries to us.

Debt Issuance Costs

We record debt issuance costs related to a debt liability on the balance sheet as a reduction to the face amount of that debt liability. As of September 30, 2018 and December 31, 2017, the amount of debt issuance costs directly reducing the debt liability was $9 million and $11 million, respectively. We record the amortization of debt issuance costs as interest expense.

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Revolving Credit Facility

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

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

Facility	Committed Amount	Principal Outstanding	Unamortized Discounts and Debt Issuance Costs	Carrying Value	Interest Rate(2)	Maturity
2018 Revolving Credit Facility	$ 1,200	$ 175 (1)	$ — (1)	$ 175 (1)	LIBOR plus 1.75%	2023

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

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

In connection with the Demilec Acquisition on April 23, 2018, we borrowed $275 million under the Prior Credit Facility and $75 million under our U.S. A/R Program. In connection with our entry into the 2018 Revolving Credit Facility on May 21, 2018, we borrowed $275 million under the 2018 Revolving Credit Facility and repaid all obligations under our Prior Credit Facility. During the quarter ended September 30, 2018, we repaid an aggregate $50 million under our 2018 Revolving Credit Facility.

A/R Programs

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

Facility	Maturity	Maximum Funding Availability(1)	Amount Outstanding		Interest Rate(2)
U.S. A/R Program	April 2020	$ 250	$ 180	(3)	Applicable rate plus 0.95%
EU A/R Program	April 2020	€ 150 (approximately $176)	€ 76 (approximately $89)		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 September 30, 2018, we had approximately $5 million (U.S. dollar equivalents) of letters of credit issued and outstanding under our U.S. A/R Program.

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As of September 30, 2018 and December 31, 2017, $402 million and $334 million, respectively, of accounts receivable were pledged as collateral under our A/R Programs.

Other Debt

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

Note Payable from Huntsman International to Huntsman Corporation

As of September 30, 2018, we had a loan of $689 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 September 30, 2018 on our condensed consolidated balance sheets. As of September 30, 2018, under the terms of the Intercompany Note, Huntsman International promises to pay us interest on the unpaid principal amount at a rate per annum based on the previous monthly average borrowing rate obtained under our U.S. A/R Program, less 10 basis points (provided that the rate shall not exceed an amount that is 25 basis points less than the monthly average borrowing rate obtained for the U.S. LIBOR-based borrowings under our 2018 Revolving Credit Facility).

Compliance with Covenants

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

The agreements governing our A/R Programs also contain certain receivable performance metrics. Any material failure to meet the applicable A/R Programs' metrics could lead to an early termination event under the A/R Programs, which could require us to cease our use of such facilities, prohibiting us from additional borrowings against our receivables or, at the discretion of the lenders, requiring that we repay the A/R Programs in full. An early termination event under the A/R Programs would also constitute an event of default under our 2018 Revolving Credit Facility, which could require us to pay off the balance of the 2018 Revolving Credit Facility in full and could result in the loss of our 2018 Revolving Credit Facility.

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

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

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Our revenues and expenses are denominated in various foreign currencies, and our cash flows and earnings are thus subject to fluctuations due to exchange rate variations. From time to time, we may enter into foreign currency derivative instruments to minimize the short-term impact of movements in foreign currency rates. Where practicable, we generally net multicurrency cash balances among our subsidiaries to help reduce exposure to foreign currency exchange rates. Certain other exposures may be managed from time to time through financial market transactions, principally through the purchase of spot or forward foreign exchange contracts (generally with maturities of one year or less). We do not hedge our foreign currency exposures in a manner that would eliminate the effect of changes in exchange rates on our cash flows and earnings. As of September 30, 2018, we had approximately $138 million in notional amount (in U.S. dollar equivalents) outstanding in forward foreign currency contracts.

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

Beginning in 2009, Arabian Amines Company entered into a 12-year floating to fixed interest rate contract providing for a receipt of LIBOR interest payments for a fixed payment of 5.02%. In connection with the consolidation of Arabian Amines Company as of July 1, 2010, the interest rate contract is included in our consolidated results. See "Note 6. Variable Interest Entities." The notional amount of the swap as of September 30, 2018 was $12 million, and the interest rate contract was not designated as a cash flow hedge. As of September 30, 2018, the fair value of the swap was $1 million and was recorded in noncurrent liabilities on our condensed consolidated balance sheets. For each of the three and nine months ended September 30, 2018 and 2017, we recorded a reduction of interest expense of nil due to changes in fair value of the swap.

In November 2014, we entered into two five year cross-currency interest rate contracts and one eight year cross-currency interest rate contract to swap an aggregate notional $200 million for an aggregate notional €161 million. This swap was designated as a hedge of net investment for financial reporting purposes. Under the cross-currency interest rate contract, we were to receive fixed U.S. dollar payments of $5 million semiannually on May 15 and November 15 (equivalent to an annual rate of 5.125%) and make interest payments of approximately €3 million (equivalent to an annual rate of approximately 3.6%). In August 2017, we terminated these cross-currency interest rate contracts and received $7 million from the counterparties.

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

Foreign currency transaction gains and losses on intercompany loans that are not designated as permanent loans are recorded in earnings. Foreign currency transaction gains and losses on intercompany loans that are designated as permanent loans are recorded in other comprehensive income on our condensed consolidated statements of comprehensive (loss) 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 September 30, 2018, we have designated approximately €530 million (approximately $622 million) of euro-denominated debt as a hedge of our net investment. For the nine months ended September 30, 2018 and 2017, the amount recognized on the hedge of our net investment was a gain of $16 million and a loss of $85 million, respectively, and was recorded in other comprehensive (loss) income on our condensed consolidated statements of comprehensive (loss) income.

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10. FAIR VALUE

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

	September 30, 2018		December 31, 2017	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Non-qualified employee benefit plan investments	$ 27	$ 27	$ 33	$ 33
Interest rate contracts	(1)	(1)	(1)	(1)
Long-term debt (including current portion)	(2,477)	(2,624)	(2,298)	(2,483)

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

The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2018 and December 31, 2017. The estimated fair value amounts have not been comprehensively revalued for purposes of these financial statements since September 30, 2018 and current estimates of fair value may differ significantly from the amounts presented herein.

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

		Fair Value Amounts Using		
Description	September 30, 2018	Quoted prices in active markets for identical assets (Level 1)(2)	Significant other observable inputs (Level 2)(2)	Significant unobservable inputs (Level 3)
Assets:				
Equity securities:				
Non-qualified employee benefit plan investments	$ 27	$ 27	$ —	$ —
Liabilities:				

Derivatives:				
Interest rate contracts(1)	$ (1)	$ —	$ (1)	$ —

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

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

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

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

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Three months ended September 30, 2017 Cross-Currency Interest Rate Contracts	Nine months ended September 30, 2017 Cross-Currency Interest Rate Contracts
Beginning balance	$ 16	$ 29
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Total (losses) gains:		
Included in earnings	—	—
Included in other comprehensive (loss) income	(9)	(22)
Purchases, sales, issuances and settlements	(7)	(7)
Ending balance, September 30, 2017	$ —	$ —
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 September 30, 2017	$ —	$ —

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

11. REVENUE RECOGNITION

We generate substantially all of our revenues through sales in the open market and long term supply agreements. We recognize revenue when control of the promised goods is transferred to our customers. Control of goods usually passes to the customer at the time shipment is made. Revenue is measured as the amount that reflects the consideration that we expect to be entitled to in exchange for those goods. Sales, value add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. We have elected to account for all shipping and handling activities as fulfillment costs. We have also elected to expense commissions when incurred as the amortization period of the commission asset that we would have otherwise recognized is less than one year.

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

	Polyurethanes	Performance Products	Advanced Materials	Textile Effects	Eliminations	Total
Primary Geographic Markets						
U.S. and Canada	$ 462	$ 333	$ 71	$ 17	$ 14	$ 897
Europe	317	108	108	31	(5)	559
Asia Pacific	336	106	79	122	(1)	642
Rest of world	240	52	21	34	(1)	346
	$ 1,355	$ 599	$ 279	$ 204	$ 7	$ 2,444
Major Product Groupings						
MDI urethanes	$ 1,186					$ 1,186
MTBE	169					169
Differentiated		$ 540				540
Upstream		59				59
Specialty			$ 233			233
Non-specialty			46			46
Textile chemicals and dyes and digital inks				$ 204		204
Eliminations					$ 7	7
	$ 1,355	$ 599	$ 279	$ 204	$ 7	$ 2,444

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

	Polyurethanes	Performance Products	Advanced Materials	Textile Effects	Eliminations	Total
Primary Geographic Markets						
U.S. and Canada	$ 1,270	$ 992	$ 215	$ 51	$ (3)	$ 2,525
Europe	992	328	342	103	(15)	1,750
Asia Pacific	944	331	226	370	(4)	1,867
Rest of world	684	144	67	107	(1)	1,001
	$ 3,890	$ 1,795	$ 850	$ 631	$ (23)	$ 7,143
Major Product Groupings						
MDI urethanes	$ 3,450					$ 3,450
MTBE	440					440
Differentiated		$ 1,619				1,619
Upstream		176				176
Specialty			$ 711			711

Non-specialty			139			139
Textile chemicals and dyes and digital inks				$ 631		631
Eliminations					$ (23)	(23)
	$ 3,890	$ 1,795	$ 850	$ 631	$ (23)	$ 7,143

Substantially all of our revenue is generated through product sales in which revenue is recognized at a point in time. At contract inception, we assess the goods and services, if any, promised in our contracts and identify a performance obligation for each promise to transfer to the customer a good or service that is distinct. In substantially all cases, a contract has a single performance obligation to deliver a promised good to the customer. Revenue is recognized when control of the product is transferred to the customer (i.e., when our performance obligation is satisfied), which typically occurs at shipment. Further, in determining whether control has transferred, we consider if there is a present right to payment and legal title, along with risks and rewards of ownership having transferred to the customer.

The amount of consideration we receive and revenue we recognize is based upon the terms stated in the sales contract, which may contain variable consideration such as discounts or rebates. We allocate the transaction price to each distinct product based on their relative standalone selling price. The product price as specified on the purchase order or in the sales contract is considered the standalone selling price as it is an observable input that depicts the price as if sold

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to a similar customer in similar circumstances. In order to estimate the applicable variable consideration, we use historical and current trend information to estimate the amount of discounts or rebates to which customers are likely to be entitled. Historically, actual discount or rebate adjustments relative to those estimated and included when determining the transaction price have not materially differed. Payment terms vary but are generally less than one year. As our standard payment terms are less than one year, we have elected to not assess whether a contract has a significant financing component. In the normal course of business, we do not accept product returns unless the item is defective as manufactured. We establish provisions for estimated returns based on an analysis of historical experience.

12. EMPLOYEE BENEFIT PLANS

Components of the net periodic benefit costs from continuing operations for the three and nine months ended September 30, 2018 and 2017 were as follows (dollars in millions):

Huntsman Corporation

	Defined Benefit Plans Three months ended September 30,		Other Postretirement Benefit Plans Three months ended September 30,	
	2018	2017	2018	2017
Service cost	$ 15	$ 16	$ —	$ 1
Interest cost	21	20	—	1
Expected return on assets	(42)	(39)	—	—
Amortization of prior service benefit	(2)	(2)	(1)	(2)
Amortization of actuarial loss	18	19	1	1
Net periodic benefit cost	$ 10	$ 14	$ —	$ 1

	Defined Benefit Plans Nine months ended September 30,		Other Postretirement Benefit Plans Nine months ended September 30,	
	2018	2017	2018	2017
Service cost	$ 48	$ 47	$ 1	$ 2
Interest cost	61	59	2	3
Expected return on assets	(128)	(116)	—	—
Amortization of prior service benefit	(5)	(5)	(4)	(5)

Amortization of actuarial loss	54	56	2	2
Special termination benefits	—	1	—	—
Settlement loss	2	—	—	—
Net periodic benefit cost	$ 32	$ 42	$ 1	$ 2

Huntsman International

	Defined Benefit Plans Three months ended September 30,		Other Postretirement Benefit Plans Three months ended September 30,	
	2018	2017	2018	2017
Service cost	$ 15	$ 16	$ —	$ 1
Interest cost	21	20	—	1
Expected return on assets	(42)	(39)	—	—
Amortization of prior service benefit	(2)	(2)	(1)	(2)
Amortization of actuarial loss	19	20	1	1
Net periodic benefit cost	$ 11	$ 15	$ —	$ 1

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Defined Benefit Plans	Other Postretirement Benefit Plans