

Huntsman CORP
Form 10-Q
April 29, 2014

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

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 500 Huntsman Way Salt Lake City, Utah 84108 (801) 584-5700	Delaware	42-1648585
333-85141	Huntsman International LLC 500 Huntsman Way Salt Lake City, Utah 84108 (801) 584-5700	Delaware	87-0630358

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

Huntsman Corporation YES ☒ NO ☐
Huntsman International LLC YES ☒ NO ☐

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

Huntsman Corporation YES ☒ NO ☐

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Huntsman International LLC YES ☒ NO ☐

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

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

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

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

On April 21, 2014, 242,782,684 shares of common stock of Huntsman Corporation were outstanding and 2,728 units of membership interests of Huntsman International LLC were outstanding. There is no trading market for Huntsman International LLC's units of membership interests. All of Huntsman International LLC's units of membership interests are held by Huntsman Corporation.

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

**HUNTSMAN CORPORATION AND SUBSIDIARIES
HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD
ENDED MARCH 31, 2014**

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In Millions, Except Share and Per Share Amounts)

	March 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents(a)	\$ 277	\$ 520
Restricted cash(a)	9	9
Accounts and notes receivable (net of allowance for doubtful accounts of \$41 and \$42, respectively), (\$876 and \$521 pledged as collateral, respectively)(a)	1,691	1,542
Accounts receivable from affiliates	33	33
Inventories(a)	1,911	1,741
Prepaid expenses	52	61
Deferred income taxes	53	53
Other current assets(a)	202	200
Total current assets	4,228	4,159
Property, plant and equipment, net(a)	3,794	3,824
Investment in unconsolidated affiliates	285	285
Intangible assets, net(a)	82	87
Goodwill	130	131
Deferred income taxes	241	243
Notes receivable from affiliates		1
Other noncurrent assets(a)	467	458
Total assets	\$ 9,227	\$ 9,188
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable(a)	\$ 1,144	\$ 1,067
Accounts payable to affiliates	41	46
Accrued liabilities(a)	717	726
Deferred income taxes	43	43
Current portion of debt(a)	270	277
Total current liabilities	2,215	2,159
Long-term debt(a)	3,621	3,633
Notes payable to affiliates	5	6
Deferred income taxes	292	313
Other noncurrent liabilities(a)	917	948
Total liabilities	7,050	7,059

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Commitments and contingencies (Notes 13 and 14)

Equity

Huntsman Corporation stockholders' equity:

Common stock \$0.01 par value, 1,200,000,000 shares authorized, 246,823,206 and 245,930,859 issued and 241,327,794 and 240,401,442 outstanding in 2014 and 2013, respectively	2	2
Additional paid-in capital	3,334	3,305
Treasury stock, 4,043,526 shares at both March 31, 2014 and December 31, 2013	(50)	(50)
Unearned stock-based compensation	(23)	(13)
Accumulated deficit	(669)	(687)
Accumulated other comprehensive loss	(574)	(577)

Total Huntsman Corporation stockholders' equity	2,020	1,980
Noncontrolling interests in subsidiaries	157	149

Total equity	2,177	2,129
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Total liabilities and equity	\$ 9,227	\$ 9,188
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(a)

At March 31, 2014 and December 31, 2013, respectively, \$34 and \$39 of cash and cash equivalents, \$9 each of restricted cash, \$47 and \$41 of accounts and notes receivable (net), \$64 and \$54 of inventories, \$4 and \$3 of other current assets, \$363 and \$369 of property, plant and equipment (net), \$16 and \$17 of intangible assets (net), \$30 and \$28 of other noncurrent assets, \$85 and \$73 of accounts payable, \$30 and \$32 of accrued liabilities, \$179 and \$183 of current portion of debt, \$59 and \$64 of long-term debt, and \$43 and \$45 of other noncurrent liabilities from consolidated variable interest entities are included in the respective Balance Sheet captions above. See "Note 5. Variable Interest Entities."

See accompanying notes to condensed consolidated financial statements (unaudited).

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In Millions, Except Per Share Amounts)

	Three months ended March 31,	
	2014	2013
Revenues:		
Trade sales, services and fees, net	\$ 2,693	\$ 2,635
Related party sales	62	67
Total revenues	2,755	2,702
Cost of goods sold	2,305	2,353
Gross profit	450	349
Operating expenses:		
Selling, general and administrative	229	226
Research and development	36	36
Other operating income	(4)	(7)
Restructuring, impairment and plant closing costs	39	44
Total expenses	300	299
Operating income	150	50
Interest expense	(48)	(51)
Equity in income of investment in unconsolidated affiliates	2	1
Loss on early extinguishment of debt		(35)
Other income	1	
Income (loss) from continuing operations before income taxes	105	(35)
Income tax (expense) benefit	(36)	20
Income (loss) from continuing operations	69	(15)
Loss from discontinued operations	(7)	(2)
Net income (loss)	62	(17)
Net income attributable to noncontrolling interests	(8)	(7)
Net income (loss) attributable to Huntsman Corporation	\$ 54	\$ (24)

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Basic income (loss) per share:

Income (loss) from continuing operations attributable to Huntsman Corporation common stockholders	\$ 0.25	\$ (0.09)
Loss from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax	(0.03)	(0.01)

Net income (loss) attributable to Huntsman Corporation common stockholders	\$ 0.22	\$ (0.10)
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Weighted average shares	240.9	239.0
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Diluted income (loss) per share:

Income (loss) from continuing operations attributable to Huntsman Corporation common stockholders	\$ 0.25	\$ (0.09)
Loss from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax	(0.03)	(0.01)

Net income (loss) attributable to Huntsman Corporation common stockholders	\$ 0.22	\$ (0.10)
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Weighted average shares	244.5	239.0
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Amounts attributable to Huntsman Corporation common stockholders:

Income (loss) from continuing operations	\$ 61	\$ (22)
Loss from discontinued operations, net of tax	(7)	(2)

Net income (loss)	\$ 54	\$ (24)
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Dividends per share	\$ 0.125	\$ 0.125
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See accompanying notes to condensed consolidated financial statements (unaudited).

HUNTSMAN CORPORATION AND SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)**

(In Millions)

	Three months ended March 31,	
	2014	2013
Net income (loss)	\$ 62	\$ (17)
Other comprehensive income (loss), net of tax:		
Foreign currency translations adjustments, net of tax of nil and \$2, respectively	(2)	(67)
Pension and other postretirement benefits adjustments, net of tax of \$(3) and \$(10), respectively	9	33
Other, net		1
Other comprehensive income (loss)	7	(33)
Comprehensive income (loss)	69	(50)
Comprehensive income attributable to noncontrolling interests	(12)	(7)
Comprehensive income (loss) attributable to Huntsman Corporation	\$ 57	\$ (57)

See accompanying notes to condensed consolidated financial statements (unaudited).

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HUNTSMAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
(In Millions, Except Share Amounts)

Huntsman Corporation Stockholders' Equity

	Shares		Additional		Unearned		Accumulated	Noncontrolling		
	Common	Common	paid-in	Treasury	stock-based	Accumulated	other	interests		Total
	stock	stock	capital	stock	compensation	deficit	loss	in		equity
Balance, January 1, 2014	240,401,442	\$ 2	\$ 3,305	\$ (50)	\$ (13)	\$ (687)	\$ (577)	\$ 149	\$	\$ 2,129
Net income						54		8		62
Other comprehensive income							3	4		7
Issuance of nonvested stock awards			15		(15)					
Vesting of stock awards	997,196		7							7
Recognition of stock-based compensation			2		5					7
Repurchase and cancellation of stock awards	(295,205)					(6)				(6)
Stock options exercised	224,361		4							4
Dividends paid to noncontrolling interests								(4)		(4)
Excess tax benefit related to stock-based compensation			1							1
Dividends declared on common stock						(30)				(30)

Balance, March 31, 2014 241,327,794 \$ 2 \$ 3,334 \$ (50) \$ (23) \$ (669) \$ (574) \$ 157 \$ 2,177

Balance, January 1, 2013	238,273,422	\$ 2	\$ 3,264	\$ (50)	\$ (12)	\$ (687)	\$ (744)	\$ 123	\$	\$ 1,896
Net (loss) income						(24)		7		(17)
Other comprehensive loss							(33)			(33)
Issuance of nonvested stock awards			13		(13)					
Vesting of stock awards	1,045,187		5							5
Recognition of stock-based compensation			2		4					6
Repurchase and cancellation of stock awards	(301,212)					(6)				(6)
Stock options exercised	637,673		3							3
Excess tax benefit related to stock-based compensation			1							1
Dividends declared on common stock						(30)				(30)

Balance, March 31, 2013 239,655,070 \$ 2 \$ 3,288 \$ (50) \$ (21) \$ (747) \$ (777) \$ 130