HUNTSMAN INTERNATIONAL LLC
Form 10-Q
August 05, 2010

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Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

o **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 ý	NO o
Huntsman International LLC	YES ý	NO o

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 ý	NO o
Huntsman International LLC	YES o	NO o

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 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 ý	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
Huntsman International LLC	Large accelerated filer o	Accelerated filer o	Non-accelerated filer ý	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 o	NO ý
Huntsman International LLC	YES o	NO ý

On July 29, 2010, 239,159,547 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 established 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.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES
HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010

TABLE OF CONTENTS

Table of Contents

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)

	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 766	$ 1,745
Restricted cash	7	5
Accounts and notes receivable (net of allowance for doubtful accounts of $54 and $56, respectively), ($618 and nil pledged as collateral, respectively)	1,468	1,018
Accounts receivable from affiliates	15	1
Inventories	1,324	1,184
Prepaid expenses	29	42
Deferred income taxes	35	36
Other current assets	129	109
Total current assets	3,773	4,140
Property, plant and equipment, net	3,241	3,516
Investment in unconsolidated affiliates	267	250
Intangible assets, net	107	125
Goodwill	94	94
Deferred income taxes	102	138
Notes receivable from affiliates	7	8
Other noncurrent assets	474	355
Total assets	$ 8,065	$ 8,626
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 822	$ 730
Accounts payable to affiliates	25	25
Accrued liabilities	568	623
Deferred income taxes	2	2
Current portion of debt	168	431
Total current liabilities	1,585	1,811
Long-term debt	3,699	3,781
Notes payable to affiliates	4	5
Deferred income taxes	312	289
Other noncurrent liabilities	795	875
Total liabilities	6,395	6,761
Commitments and contingencies (Notes 14 and 15)		
Equity		

Huntsman Corporation stockholders' equity:		
Common stock $0.01 par value, 1,200,000,000 shares authorized, 239,159,547 and 237,225,258 issued and 236,419,475 and 234,081,490 outstanding in 2010 and 2009, respectively	2	2
Additional paid-in capital	3,182	3,155
Unearned stock-based compensation	(15)	(11)
Accumulated deficit	(1,127)	(1,015)
Accumulated other comprehensive loss	(395)	(287)
Total Huntsman Corporation stockholders' equity	1,647	1,844
Noncontrolling interests in subsidiaries	23	21
Total equity	1,670	1,865
Total liabilities and equity	$ 8,065	$ 8,626

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

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(In Millions, Except Per Share Amounts)

	Three months ended June 30,		Six months ended June 30,	
	2010	**2009**	**2010**	**2009**
Revenues:				
Trade sales, services and fees, net	$ 2,280	$ 1,822	$ 4,329	$ 3,495
Related party sales	63	24	108	31
Total revenues	2,343	1,846	4,437	3,526
Cost of goods sold	1,958	1,613	3,771	3,144
Gross profit	385	233	666	382
Operating expenses:				
Selling, general and administrative	208	198	426	392
Research and development	36	36	72	72
Other operating income	(3)	(1)	(1)	(9)
Restructuring, impairment and plant closing costs	17	62	20	76
Total expenses	258	295	517	531
Operating income (loss)	127	(62)	149	(149)
Interest expense, net	(43)	(58)	(104)	(113)
Loss on accounts receivable securitization program		(6)		(10)
Equity income of investment in unconsolidated affiliates	16	1	17	2
Loss on early extinguishment of debt	(7)		(162)	
(Expenses) income associated with the Terminated Merger and related litigation	(1)	844	(1)	837
Other income	1		1	
Income (loss) from continuing operations before income taxes	93	719	(100)	567
Income tax expense	(39)	(311)	(5)	(449)
Income (loss) from continuing operations	54	408	(105)	118
Income (loss) from discontinued operations,	62	(2)	49	(6)

net of tax								
Net income (loss)		116		406		(56)		112
Net (income) loss attributable to noncontrolling interests		(2)				(2)		4
Net income (loss) attributable to Huntsman Corporation	$	114	$	406	$	(58)	$	116
Net income (loss)	$	116	$	406	$	(56)	$	112
Other comprehensive (loss) income		(64)		130		(108)		48
Comprehensive income (loss)		52		536		(164)		160
Comprehensive (income) loss attributable to noncontrolling interests		(2)				(2)		4
Comprehensive income (loss) attributable to Huntsman Corporation	$	50	$	536	$	(166)	$	164

(continued)

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED) (Continued)

(In Millions, Except Per Share Amounts)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Basic income (loss) per share:				
Income (loss) from continuing operations attributable to Huntsman Corporation common stockholders	$ 0.22	$ 1.75	$ (0.46)	$ 0.52
Income (loss) from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax	0.26	(0.01)	0.21	(0.02)
Net income (loss) attributable to Huntsman Corporation common stockholders	$ 0.48	$ 1.74	$ (0.25)	$ 0.50
Weighted average shares	236.4	234.0	235.6	233.8
Diluted income (loss) per share:				
Income (loss) from continuing operations attributable to Huntsman Corporation common stockholders	$ 0.21	$ 1.52	$ (0.46)	$ 0.49
Income (loss) from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax	0.26	(0.01)	0.21	(0.02)
Net income (loss) attributable to Huntsman Corporation common stockholders	$ 0.47	$ 1.51	$ (0.25)	$ 0.47
Weighted average shares	240.8	271.3	235.6	268.8
Amounts attributable to Huntsman Corporation common stockholders:				
Income (loss) from continuing operations	$ 52	$ 408	$ (107)	$ 122
Income (loss) from discontinued operations, net of tax	62	(2)	49	(6)
Net income (loss)	$ 114	$ 406	$ (58)	$ 116
Dividends per share	$ 0.10	$ 0.10	$ 0.20	$ 0.20

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

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in Millions)

	Six months ended June 30,	
	2010	**2009**
Operating Activities:		
Net (loss) income	$ (56)	$ 112
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Equity income of investment in unconsolidated affiliates	(17)	(2)
Depreciation and amortization	196	226
Provision for losses on accounts receivable	4	5
Loss (gain) on disposal of businesses/assets, net	2	(1)
Loss on early extinguishment of debt	162	
Noncash interest expense	2	5
Noncash restructuring, impairment and plant closing costs		5
Deferred income taxes	34	255
Net unrealized gain on foreign currency transactions	(3)	
Stock-based compensation	12	9
Portion of insurance settlement representing cash provided by investing activities	(34)	
Other, net	4	(1)
Changes in operating assets and liabilities:		
Accounts and notes receivable	(262)	(26)
Accounts receivable from A/R Programs	(254)	
Inventories	(205)	352
Prepaid expenses	12	20
Other current assets	(24)	5
Other noncurrent assets	(80)	
Accounts payable	127	(81)
Accrued liabilities	(44)	(41)
Income taxes payable	14	174
Other noncurrent liabilities	(32)	(7)
Net cash (used in) provided by operating activities	(442)	1,009
Investing Activities:		
Capital expenditures	(78)	(100)
Proceeds from insurance settlement	34	
Proceeds from sale of businesses/assets, net of adjustments		1
Acquisition of business		(24)
Investment in unconsolidated affiliates, net of cash received	(4)	
Change in restricted cash	(1)	
Other		3
Net cash used in investing activities	(49)	(120)

(continued)

6

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

(Dollars in Millions)

	Six months ended June 30, 2010	Six months ended June 30, 2009
Financing Activities:		
Net repayments under revolving loan facilities	$ (4)	$ (8)
Revolving loan facility from A/R Programs	254	
Net borrowings on overdraft facilities	5	1
Repayments of short term debt	(94)	(78)
Borrowings on short term debt	115	57
Repayments of long-term debt	(895)	(26)
Proceeds from issuance of long-term debt	375	869
Repayments of notes payable	(22)	(35)
Borrowings on notes payable	4	18
Debt issuance costs paid	(17)	
Call premiums related to early extinguishment of debt	(153)	
Dividends paid to common stockholders	(48)	(47)
Repurchase and cancellation of stock awards	(6)	
Proceeds from issuance of common stock	2	
Excess tax benefit related to stock-based compensation	4	
Other, net		(4)
Net cash (used in) provided by financing activities	(480)	747
Effect of exchange rate changes on cash	(8)	2
(Decrease) increase in cash and cash equivalents	(979)	1,638
Cash and cash equivalents at beginning of period	1,745	657
Cash and cash equivalents at end of period	$ 766	$ 2,295
Supplemental cash flow information:		
Cash paid for interest	$ 97	$ 101
Cash paid for income taxes	10	16

During the six months ended June 30, 2010 and 2009, the amount of capital expenditures in accounts payable decreased by $10 million and $25 million, respectively. The value of share awards that vested during the six months ended June 30, 2010 and 2009 was $18 million and $11 million, respectively. In connection with our June 23, 2009 acquisition of the Baroda Division of Metrochem Industries Limited, $5 million of payables from us to Metrochem Industries Limited were forgiven.

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

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(Dollars in Millions)

	Huntsman Corporation Stockholders							
	Common Stock		Additional paid-in capital	Unearned stock-based compensation	Accumulated deficit	Accumulated other comprehensive loss	Noncontrolling interests in subsidiaries	Total equity
	Shares	Amount						
Balance, January 1, 2010	234,081,490	$ 2	$ 3,155	$ (11)	$ (1,015)	$ (287)	$ 21	$ 1,865
Net loss					(58)		2	(56)
Other comprehensive loss						(108)		(108)
Issuance of nonvested stock awards			10	(10)				
Vesting of stock awards	1,900,576		9					9
Recognition of stock-based compensation			2	6				8
Repurchase and cancellation of stock awards	(425,809)				(6)			(6)
Stock options exercised	863,218		2					2
Excess tax benefit related to stock-based compensation			4					4
Dividends declared on common stock					(48)			(48)
Balance, June 30, 2010	236,419,475	$ 2	$ 3,182	$ (15)	$ (1,127)	$ (395)	$ 23	$ 1,670

	Huntsman Corporation Stockholders							
	Common Stock		Additional paid-in capital	Unearned stock-based compensation	Accumulated deficit	Accumulated other comprehensive loss	Noncontrolling interests in subsidiaries	Total equity
	Shares	Amount						
Balance, January 1, 2009	233,553,515	$ 2	$ 3,141	$ (13)	$ (1,031)	$ (489)	$ 22	$ 1,632
Net income					116		(4)	112
Other comprehensive income						48		48
Issuance of nonvested stock awards			8	(8)				
	548,489							

Vesting of stock awards								
Recognition of stock-based compensation			3	6				9
Repurchase and cancellation of stock awards	(134,377)							
Dividends declared on common stock					(47)			(47)
Balance, June 30, 2009	233,967,627	$ 2	$ 3,152	$ (15)	$ (962)	$ (441)	$ 18	$ 1,754

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

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in Millions)

	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 342	$ 919
Restricted cash	7	5
Accounts and notes receivable (net of allowance for doubtful accounts of $54 and $56, respectively), ($618 and nil pledged as collateral, respectively)	1,468	1,018
Accounts receivable from affiliates	80	32
Inventories	1,324	1,184
Prepaid expenses	27	42
Deferred income taxes	33	33
Other current assets	119	109
Total current assets	3,400	3,342
Property, plant and equipment, net	3,093	3,357
Investment in unconsolidated affiliates	267	250
Intangible assets, net	111	129
Goodwill	94	94
Deferred income taxes	122	158
Notes receivable from affiliates	7	8
Other noncurrent assets	474	355
Total assets	$ 7,568	$ 7,693
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 821	$ 715
Accounts payable to affiliates	28	41
Accrued liabilities	567	613
Deferred income taxes	2	2
Note payable to affiliate	100	25
Current portion of debt	168	195
Total current liabilities	1,686	1,591
Long-term debt	3,699	3,781
Notes payable to affiliates	439	530
Deferred income taxes	104	79
Other noncurrent liabilities	791	865
Total liabilities	6,719	6,846
Commitments and contingencies (Notes 14 and 15)		
Equity		
Huntsman International LLC members' equity:		
Members' equity, 2,728 units issued and outstanding	3,036	3,021
Accumulated deficit	(1,756)	(1,847)
Accumulated other comprehensive loss	(454)	(348)
Total Huntsman International LLC members' equity	826	826

Noncontrolling interests in subsidiaries	23	21
Total equity	849	847
Total liabilities and equity	$ 7,568	$ 7,693

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

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(Dollars in Millions)

	Three months ended June 30,		Six months ended June 30,	
	2010	**2009**	**2010**	**2009**
Revenues:				
Trade sales, services and fees, net	$ 2,280	$ 1,822	$ 4,329	$ 3,495
Related party sales	63	24	108	31
Total revenues	2,343	1,846	4,437	3,526
Cost of goods sold	1,955	1,610	3,763	3,136
Gross profit	388	236	674	390
Operating expenses:				
Selling, general and administrative	208	195	423	384
Research and development	36	36	72	72
Other operating income	(4)	(1)	(11)	(9)
Restructuring, impairment and plant closing costs	17	62	20	76
Total expenses	257	292	504	523
Operating income (loss)	131	(56)	170	(133)
Interest expense, net	(47)	(58)	(113)	(113)
Loss on accounts receivable securitization program		(6)		(10)
Equity income of investment in unconsolidated affiliates	16	1	17	2
Loss on early extinguishment of debt	(7)		(16)	
Other income	2		2	
Income (loss) from continuing operations before income taxes	95	(119)	60	(254)
Income tax expense	(38)	(8)	(16)	(154)
Income (loss) from continuing operations	57	(127)	44	(408)
Income (loss) from discontinued operations, net of tax	62	(2)	49	(6)
Net income (loss)	119	(129)	93	(414)

Net (income) loss attributable to noncontrolling interests	(2)		(2)	4
Net income (loss) attributable to Huntsman International LLC	$ 117	$ (129)	$ 91	$ (410)
Net income (loss)	$ 119	$ (129)	$ 93	$ (414)
Other comprehensive (loss) income	(63)	130	(106)	51
Comprehensive income (loss)	56	1	(13)	(363)
Comprehensive (income) loss attributable to noncontrolling interests	(2)		(2)	4
Comprehensive income (loss) attributable to Huntsman International LLC	$ 54	$ 1	$ (15)	$ (359)

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

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in Millions)

	Six months ended June 30,	
	2010	**2009**
Operating Activities:		
Net income (loss)	$ 93	$ (414)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Equity income of investment in unconsolidated affiliates	(17)	(2)
Depreciation and amortization	184	214
Provision for losses on accounts receivable	4	5
Loss (gain) on disposal of businesses/assets, net	2	(1)
Loss on early extinguishment of debt	16	
Noncash interest expense	11	12
Noncash restructuring, impairment and plant closing costs		5
Deferred income taxes	37	143
Net unrealized gain on foreign currency transactions	(3)	
Noncash compensation	11	5
Portion of insurance settlement representing cash provided investing activities	(34)	
Other	3	(1)
Changes in operating assets and liabilities:		
Accounts and notes receivable	(262)	(26)
Accounts receivable from A/R Programs	(254)	
Inventories	(205)	352
Prepaid expenses	14	22
Other current assets	(14)	(8)
Other noncurrent assets	(80)	
Accounts payable	132	(98)
Accrued liabilities	(21)	(5)
Other noncurrent liabilities	(30)	(4)
Net cash (used in) provided by operating activities	(413)	199
Investing Activities:		
Capital expenditures	(78)	(100)
Proceeds from insurance settlement	34	
Proceeds from sale of businesses/assets, net of adjustments		1
Acquisition of business		(24)
Investment in unconsolidated affiliates, net of cash received	(4)	
Change in restricted cash	(1)	
Increase in receivable from affiliate	(46)	(11)
Other, net		3
Net cash used in investing activities	(95)	(131)

(continued)

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

(Dollars in Millions)

	Six months ended June 30, 2010	Six months ended June 30, 2009
Financing Activities:		
Net repayments under revolving loan facilities	$ (4)	$ (8)
Revolving loan facility from A/R Programs	254	
Net borrowings on overdraft facilities	5	1
Repayments of short term debt	(94)	(78)
Borrowings on short term debt	115	57
Repayments of long-term debt	(659)	(26)
Proceeds from issuance of long-term debt	375	869
Repayments of notes payable to affiliate	(125)	(403)
Proceeds from notes payable to affiliate	110	529
Repayments of notes payable	(22)	(34)
Borrowings on notes payable	4	15
Debt issuance costs paid	(17)	
Call premiums related to early extinguishment of debt	(7)	
Dividends paid to parent		(23)
Excess tax benefit related to stock-based compensation	4	
Contribution from parent		236
Other, net		(4)
Net cash (used in) provided by financing activities	(61)	1,131
Effect of exchange rate changes on cash	(8)	2
(Decrease) increase in cash and cash equivalents	(577)	1,201
Cash and cash equivalents at beginning of period	919	87
Cash and cash equivalents at end of period	$ 342	$ 1,288
Supplemental cash flow information:		
Cash paid for interest	$ 88	$ 102
Cash paid for income taxes	9	16

During the six months ended June 30, 2010 and 2009, the amount of capital expenditures in accounts payable decreased by $10 million and $25 million, respectively. During the six months ended June 30, 2010 and 2009, Huntsman Corporation contributed $11 million and $5 million, respectively, related to stock-based compensation. In connection with our June 23, 2009 acquisition of the Baroda Division of Metrochem Industries Limited, $5 million of payables from us to Metrochem Industries Limited were forgiven.

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

12

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(Dollars in Millions)

	Huntsman International LLC Members					
	Members' equity					
	Units	Amount	Accumulated deficit	Accumulated other comprehensive loss	Noncontrolling interests in subsidiaries	Total equity
Balance, January 1, 2010	2,728	$ 3,021	$ (1,847)	$ (348)	$ 21	$ 847
Net income			91		2	93
Other comprehensive loss				(106)		(106)
Contribution from parent, net of distributions		11				11
Excess tax benefit related to stock-based compensation		4				4
Balance, June 30, 2010	2,728	$ 3,036	$ (1,756)	$ (454)	$ 23	$ 849

	Huntsman International LLC Members					
	Members' equity					
	Units	Amount	Accumulated deficit	Accumulated other comprehensive loss	Noncontrolling interests in subsidiaries	Total equity
Balance, January 1, 2009	2,728	$ 2,865	$ (1,414)	$ (554)	$ 22	$ 919
Net loss			(410)		(4)	(414)
Other comprehensive income				51		51
Contribution from parent, net of distributions		241				241
Dividends paid to parent			(23)			(23)
Balance, June 30, 2009	2,728	$ 3,106	$ (1,847)	$ (503)	$ 18	$ 774

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

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL

CERTAIN DEFINITIONS

For convenience in this report, the terms "Company," "our," "us" or "we" may be used to refer to Huntsman Corporation and, unless the context otherwise requires, its subsidiaries and predecessors. Any references to our "Company," "we," "us" or "our" as of a date prior to October 19, 2004 (the date of our Company's formation) are to Huntsman Holdings, LLC and its subsidiaries (including their respective predecessors). In this report, "Huntsman International" refers to Huntsman International LLC (our 100% owned subsidiary) and, unless the context otherwise requires, its subsidiaries; "HPS" refers to Huntsman Polyurethanes Shanghai Ltd. (our consolidated splitting joint venture with Shanghai Chlor-Alkali Chemical Company, Ltd); and "SLIC" refers to Shanghai Liengheng Isocyanate Company (our unconsolidated manufacturing joint venture with BASF AG and three Chinese chemical companies).

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 interim condensed consolidated financial statements (unaudited) and Huntsman International's interim condensed consolidated financial statements (unaudited) 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, 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 condensed consolidated financial statements (unaudited) 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, 2009 for our Company and Huntsman International filed on February 19, 2010 and updated by our Form 8-K filed on June 8, 2010.

DESCRIPTION OF BUSINESS

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

We operate in five segments: Polyurethanes, Performance Products, Advanced Materials, Textile Effects and Pigments. Our Polyurethanes, Performance Products, Advanced Materials and Textile Effects segments produce differentiated organic chemical products and our Pigments segment produces inorganic chemical products. We ceased operation of our Australian styrenics business during the first

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

1. GENERAL (Continued)

quarter of 2010 and report the results of that business as discontinued operations. See "Note 20. 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 the early 1970s 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 100% owned subsidiary. Huntsman International is a Delaware limited liability company and was formed in 1999.

HUNTSMAN CORPORATION AND HUNTSMAN INTERNATIONAL FINANCIAL STATEMENTS

Except where otherwise indicated, these notes relate to the condensed consolidated financial statements (unaudited) 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;
- a note payable from Huntsman International to us;
- income (expenses) associated with our terminated merger with a subsidiary of Hexion (the "Terminated Merger" or the "Hexion Merger");
- the $250 million 7% convertible notes due 2018 (the "Convertible Notes") issued in connection with our December 14, 2008 settlement agreement with Apollo, Hexion and certain of their affiliates (the "Apollo Settlement Agreement")(see "Note 8. Debt Redemption of Notes" and "Note 18. (Expenses) Income Associated with the Terminated Merger and Related Litigation"), which we repurchased on January 11, 2010; and
- the results of our settlement agreement (the "Texas Bank Litigation Settlement Agreement") in connection with our litigation (the "Texas Bank Litigation") against affiliates of Credit Suisse Securities (USA) LLC and Deutsche Bank Inc. (collectively, the "Banks") (see "Note 18. (Expenses) Income Associated with the Terminated Merger and Related Litigation").

PRINCIPLES OF CONSOLIDATION

Our condensed consolidated financial statements (unaudited) and Huntsman International's condensed consolidated financial statements (unaudited) include the accounts of our wholly-owned and majority-owned and controlled subsidiaries and any variable interest entities for which we are the primary beneficiary. All intercompany accounts and transactions have been eliminated.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

1. GENERAL (Continued)

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain amounts in the condensed consolidated financial statements (unaudited) for prior periods have been reclassified to conform with the current presentation. In connection with the closure and abandonment of our Australian styrenics operations in the first quarter of 2010, we have treated this business as discontinued operations beginning in the first quarter of 2010. All relevant information for prior periods has been restated to reflect this change.

During the first quarter of 2010, we began reporting our last-in, first-out ("LIFO") inventory valuation reserve charges as part of Corporate and other. These charges were previously reported in our Performance Products segment. All segment information for prior periods has been restated to reflect this change.

RECENT DEVELOPMENTS

Settlement of Fire Insurance Claims

On April 29, 2006, our former Port Arthur, Texas olefins manufacturing plant (which we sold to Flint Hills Resources in November 2007) experienced a major fire. The plant was covered by property damage and business interruption insurance through our captive insurer, International Risk Insurance Company ("IRIC"), and certain reinsurers (the "Reinsurers"). The property damage and business interruption insurance was subject to a combined deductible of $60 million. We, together with IRIC, asserted claims to the Reinsurers related to losses occurring as a result of this fire. Our claims were the subject of litigation and an arbitration proceeding with certain of the Reinsurers.

Prior to December 31, 2009, we received payments on insurance claims with respect to the fire totaling $365 million. On May 14, 2010, we entered into a Sworn Statement in Proof of Loss and Full and Final Settlement, Release, and Indemnity Agreement with the Reinsurers (including those Reinsurers that did not participate in the arbitration proceeding). Pursuant to the settlement agreement, through June 15, 2010, we received final payment totaling $110 million. Upon receipt of this payment, we agreed to the dismissal with prejudice of the legal and arbitration proceedings relating to our insurance claims.

As a result of this settlement, we recognized a gain of $110 million in discontinued operations during the second quarter of 2010, the proceeds of which were used to repay secured debt in accordance with relevant provisions of the agreements governing our senior secured credit facilities ("Senior Credit Facilities"). Of the $110 million payment, $34 million was reflected within the statement of cash flows as cash flows from investing activities and the remaining $76 million was reflected as cash flows from operating activities.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Adopted During 2010:

In February 2010, the Financial Accounting Standards Board ("FASB") issued and we adopted ASU No. 2010-09, *Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements*. This ASU provides a definition of the term "SEC filer" and removes the requirement for entities that are SEC filers to disclose the date through which subsequent events have been evaluated. We evaluate subsequent events through the date the financial statements are issued.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements*. This ASU clarifies existing disclosure requirements to provide a greater level of disaggregated information and to provide more information regarding valuation techniques and inputs to fair value measurements. It requires additional disclosure related to transfers between the three levels of fair value measurement, as well as information about purchases, sales, issuances, and settlements in the roll forward of activity for Level 3 measurements. The enhanced disclosures required by this ASU are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity for Level 3 measurements, which is effective for interim and annual reporting periods beginning after December 15, 2010. See "Note 10. Fair Value."

Effective January 1, 2010, we adopted ASU No. 2009-17, *Consolidations (Topic 810) Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, which codified Statement of Financial Accounting Standards ("SFAS") No. 167, *Amendments to FASB Interpretation No. 46(R)*. This statement amends FASB Interpretation No. ("FIN") 46(R), *Consolidation of Variable Interest Entities*, to replace the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity ("VIE") with a qualitative approach. This new approach focuses on identifying which enterprise has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. It also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE, and amends the types of events that trigger a reassessment of whether an entity is a VIE. Further, it requires additional disclosures about an enterprise's involvement in variable interest entities. The adoption of this statement did not have a significant impact on our condensed consolidated financial statements (unaudited). See "Note 6. Variable Interest Entities."

Effective January 1, 2010, we adopted ASU No. 2009-16, *Transfers and Servicing (Topic 860) Accounting for Transfers of Financial Assets*, which codified SFAS No. 166, *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140*. This statement removes the concept of a qualifying special-purpose entity ("QSPE") from SFAS No. 140 and removes the exception from applying FIN 46(R) to QSPEs. SFAS No. 166 modifies the derecognition provisions in SFAS No. 140 and requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. It also requires additional disclosures regarding the transferor's continuing involvement with transferred financial assets and the related risks retained. Upon adoption of this statement, transfers of accounts receivable under our accounts receivable securitization programs no longer qualified for derecognition and were accounted for as secured borrowings beginning in January

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (Continued)

2010. See "Note 8. Debt Accounts Receivable Securitization." Prior to the adoption of this statement, receivables transferred under our U.S. and European accounts receivable securitization programs (the "U.S. A/R Program," the "EU A/R Program" and collectively the "A/R Programs") qualified as sales.

Accounting Pronouncements Pending Adoption in Future Periods:

In October 2009, the FASB issued ASU No. 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force*. This ASU provides amendments to the criteria for separating consideration in multiple-deliverable arrangements. The amendments in this ASU replace the term "fair value" in the revenue allocation guidance with "selling price" to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant, and they establish a selling price hierarchy for determining the selling price of a deliverable. The amendments in this ASU will eliminate the residual method of allocation and require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, and they significantly expand the required disclosures related to multiple-deliverable revenue arrangements. The amendments in this ASU will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. We are evaluating this ASU to determine its impact on our condensed consolidated financial statements (unaudited).

3. BUSINESS COMBINATIONS

BARODA ACQUISITION

On June 23, 2009, we announced the acquisition of the Baroda Division ("Baroda") of Metrochem Industries Limited ("MCIL"), a manufacturing facility for the production of intermediates and specialty dyes for textiles, located in Baroda, India. Baroda had been a significant supplier to our Textile Effects division and this acquisition strengthens the Textile Effects division's competitiveness and supports its development in Asia. We initially entered into an agreement to acquire Baroda on June 29, 2007. The initial agreement provided either party with the right to terminate the agreement if a transaction was not consummated by April 30, 2008. On February 6, 2009, we entered into a non-binding agreement in principle with MCIL under which the purchase price was revised to be approximately $35 million (U.S. dollar equivalents), which included receivables existing on the closing date due to MCIL from our affiliates, which were also settled at acquisition. Payment of the acquisition cost was phased in various tranches. The first tranche of $7 million was paid during 2008; additional tranches were paid during 2009; and a final payment of $2 million was made upon completion of the audit of net working capital acquired in the first quarter of 2010. In addition, $5 million of accounts payable by us to MCIL were forgiven in connection with this acquisition.

We have accounted for the Baroda acquisition using the acquisition method. As such, we analyzed the fair value of tangible and intangible assets acquired and liabilities assumed. The allocation of

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

3. BUSINESS COMBINATIONS (Continued)

acquisition cost to the assets acquired and liabilities assumed is summarized as follows (dollars in millions):

Acquisition cost:	
Cash payments made in 2008	$ 7
Cash payments made in 2009	31
Cash payments made in 2010	2
Forgiveness of amounts payable from us to MCIL	(5)
Total acquisition cost	$ 35
Fair value of assets acquired and liabilities assumed:	
Accounts receivable	$ 2
Inventories	3
Other current assets	2
Property, plant and equipment	31
Intangible assets	3
Deferred tax asset	2
Accounts payable	(3)
Short-term debt	(3)
Deferred tax liability	(2)
Total fair value of net assets acquired	$ 35

4. INVENTORIES

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

	June 30, 2010	December 31, 2009
Raw materials and supplies	$ 311	$ 240
Work in progress	83	77
Finished goods	988	917
Total	1,382	1,234
LIFO reserves	(58)	(50)
Net	$ 1,324	$ 1,184

As of June 30, 2010 and December 31, 2009, approximately 12% and 10%, respectively of inventories were recorded using the LIFO cost method.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

4. INVENTORIES (Continued)

In the normal course of operations, we at times exchange raw materials and finished goods with other companies for the purpose of reducing transportation costs. The net non-monetary open exchange positions are valued at cost. The amounts included in inventory under non-monetary open exchange agreements receivable by us as of June 30, 2010 and December 31, 2009 were both $2 million, respectively. Other open exchanges are settled in cash and result in a net deferred profit margin. The amounts under these open exchange agreements receivable or payable by us at both June 30, 2010 and December 31, 2009 were nil.

5. INVESTMENT IN UNCONSOLIDATED AFFILIATES

In 2008, we contributed $44 million as our 50% equity contribution to the Arabian Amines Company, our ethyleneamines manufacturing joint venture in Jubail, Saudi Arabia. This joint venture's funding requirements will be satisfied through a combination of debt and equity, with the equity already provided on a 50/50 basis by us and Zamil Group. The joint venture obtained various loan commitments in the aggregate amount of approximately $195 million in U.S. dollar equivalents, of which $192 million had been drawn as of June 30, 2010. Trial production commenced in the second quarter of 2010 with final plant testing and certification expected to be complete in the third quarter of 2010. The plant will have approximate annual capacity of 60 million pounds. We will purchase and sell all of the production from this joint venture. We have provided certain guarantees of approximately $14 million for these commitments, which will terminate upon completion of the project and satisfaction of certain conditions. We have estimated that the fair value of these guarantees was nil as of the closing date of this transaction and, accordingly, no amounts have been recorded. While this joint venture was accounted for under the equity method during its development stage, we will consolidate this joint venture beginning in the third quarter of 2010.

During the second quarter of 2010, we recorded a non-recurring $15 million credit to equity income of investment in unconsolidated affiliates to appropriately reflect our investment in the Sasol-Huntsman GmbH and Co. KG joint venture. This credit represented a cumulative correction of an error that was individually immaterial in each year since our initial investment in the joint venture in 1997.

6. VARIABLE INTEREST ENTITIES

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

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

Pacific Iron Products Sdn Bhd manufactures products for our Pigments segment. In this joint venture we supply all the raw materials through a fixed cost supply contract, operate the

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

6. VARIABLE INTEREST ENTITIES (Continued)

manufacturing facility and market the products of the joint venture to third party customers. Through a fixed price raw materials supply contract with the joint venture we are exposed to the risk related to the fluctuation of raw material pricing.

As the primary beneficiary of these two VIEs, the joint ventures' assets, liabilities and results of operations are included in our condensed consolidated financial statements (unaudited). The following table summarizes the carrying amount of the two joint ventures' assets and liabilities included in our condensed consolidated balance sheet (unaudited), before intercompany eliminations, as of June 30, 2010 (dollars in millions):

Current assets	$	87
Property, plant and equipment, net		15
Other noncurrent assets		37
Deferred income taxes		38
Total assets	$	177
Current liabilities	$	84
Long-term debt		3
Other noncurrent liabilities		94
Total liabilities	$	181

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

7. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS

As of June 30, 2010 and December 31, 2009, accrued restructuring, impairment and plant closing costs by type of cost and initiative consisted of the following (dollars in millions):

	Workforce reductions(1)	Demolition and decommissioning	Non-cancelable lease costs	Other restructuring costs	Total(2)
Accrued liabilities as of January 1, 2010	$ 50	$ 1	$ 3	$ 21	$ 75
2010 charges for 2005 initiatives	1				1
2010 charges for 2009 initiatives	2			3	5
2010 charges for 2010 initiatives	20				20
Reversal of reserves no longer required	(6)				(6)
2010 payments for 2005 initiatives		(1)			(1)
2010 payments for 2006 initiatives	(2)				(2)
2010 payments for 2008 initiatives	(4)				(4)
2010 payments for 2009 initiatives	(7)			(3)	(10)
Net activity of discontinued operations	(24)			4	(20)
Foreign currency effect on reserve balance	(2)				(2)
Accrued liabilities as of June 30, 2010	$ 28	$	$ 3	$ 25	$ 56

(1) The total workforce reduction reserves of $28 million relate to the termination of 367 positions, of which 239 positions had not been terminated as of June 30, 2010.

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

	June 30, 2010	December 31, 2009
2005 initiatives and prior	$ 2	$ 3
2006 initiatives	3	5
2008 initiatives	3	7
2009 initiatives	28	60
2010 initiatives	20	
Total	$ 56	$ 75

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

7. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS (Continued)

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

	Polyurethanes	Performance Products	Advanced Materials	Textile Effects	Pigments	Discontinued Operations	Corporate & Other	Total
Accrued liabilities as of January 1, 2010	$ 2	$	$ 7	$ 17	$ 11	$ 34	$ 4	$ 75
2010 charges for 2005 initiatives					1			1
2010 charges for 2009 initiatives					4		1	5
2010 charges for 2010 initiatives				15			5	20
Reversal of reserves no longer required			(2)		(2)		(2)	(6)
2010 payments for 2005 initiatives					(1)			(1)
2010 payments for 2006 initiatives				(2)				(2)
2010 payments for 2008 initiatives	(1)			(2)	(1)			(4)
2010 payments for 2009 initiatives			(2)	(2)	(4)		(2)	(10)
Net activity of discontinued operations						(20)		(20)
Foreign currency effect on reserve balance					(2)			(2)
Accrued liabilities as of June 30, 2010	$ 1	$	$ 3	$ 26	$ 6	$ 14	$ 6	$ 56
Current portion of restructuring reserves	$ 1	$	$ 2	$ 26	$ 4	$ 14	$ 6	$ 53
Long-term portion of restructuring reserve			1		2			3
Estimated additional future charges for current restructuring projects								
Estimated additional charges within one year					3	1	1	5
Estimated additional charges beyond one year								

Details with respect to cash and non-cash restructuring charges for the periods ended June 30, 2010 and 2009 by initiative are provided below (dollars in millions):

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Cash charges:		
2010 charges for 2005 & prior initiatives	$ 1	$ 1
2010 charges for 2009 initiatives	3	5
2010 charges for 2010 initiatives	16	20
Reversal of reserves no longer required	(3)	(6)
Total 2010 Restructuring, Impairment and Plant Closing Costs	$ 17	$ 20

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

7. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS (Continued)

	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Cash charges:		
2009 charges for 2006 initiatives	$ 1	$ 1
2009 charges for 2008 initiatives		2
2009 charges for 2009 initiatives	62	71
Reversal of reserves no longer required	(2)	(3)
Non-cash charges	1	5
Total 2009 Restructuring, Impairment and Plant Closing Costs	$ 62	$ 76

During the six months ended June 30, 2010, our Textile Effects segment recorded charges of $15 million primarily related to the consolidation of our Switzerland manufacturing facilities.

During the six months ended June 30, 2010, our Pigments segment recorded net charges of $3 million primarily related to the closure of our Grimsby, U.K. plant. We expect to incur additional charges of $3 million through December 31, 2011, primarily related to the closure of our Grimsby, U.K. plant.

During the six months ended June 30, 2010, we recorded net charges of $4 million in Corporate and other related to workforce reductions in connection with a reorganization and regional consolidation of our transactional accounting activities. We expect to incur additional charges of $1 million through December 31, 2011, primarily related to these activities.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

8. DEBT

Outstanding debt consisted of the following (dollars in millions):

Huntsman Corporation

	June 30, 2010	December 31, 2009
Senior Credit Facilities:		
Term loans	$ 1,685	$ 1,968
Amounts outstanding under A/R programs	226	
Senior notes	442	434
Subordinated notes	1,234	1,294
Australian credit facilities	30	34
HPS (China) debt	183	163
Convertible notes		236
Other	67	83
Total debt excluding debt to affiliates	$ 3,867	$ 4,212
Total Current portion of debt	$ 168	$ 431
Long-term portion	3,699	3,781
Total debt excluding debt to affiliates	$ 3,867	$ 4,212
Total debt excluding debt to affiliates	$ 3,867	$ 4,212
Notes payable to affiliates noncurrent	4	5
Total debt	$ 3,871	$ 4,217

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

8. DEBT (Continued)

Huntsman International

	June 30, 2010	December 31, 2009
Senior Credit Facilities:		
Term loans	$ 1,685	$ 1,968
Amounts outstanding under A/R programs	226	
Senior notes	442	434
Subordinated notes	1,234	1,294
Australian credit facilities	30	34
HPS (China) debt	183	163
Other	67	83
Total debt excluding debt to affiliates	$ 3,867	$ 3,976
Total Current portion of debt	$ 168	$ 195
Long-term portion	3,699	3,781
Total debt excluding debt to affiliates	$ 3,867	$ 3,976
Total debt excluding debt to affiliates	$ 3,867	3,976
Notes payable to affiliates current	100	25
Notes payable to affiliates noncurrent	439	530
Total debt	$ 4,406	$ 4,531

DIRECT AND SUBSIDIARY DEBT

Huntsman Corporation's direct debt and guarantee obligations consist of the following: guarantees of certain debt of HPS (our Chinese MDI joint venture); a guarantee of certain obligations of the Arabian Amines Company (our ethyleneamines manufacturing joint venture in Jubail, Saudi Arabia); a guarantee of certain debt of Huntsman Corporation Australia Pty Limited; certain indebtedness incurred from time to time to finance certain insurance premiums; and a guarantee of certain obligations of Huntsman International in its capacity as a contributor and servicer guarantor under the U.S. A/R Program. Substantially all of our other debt, including the facilities described below, has been incurred by our subsidiaries (primarily Huntsman International); such subsidiary debt is nonrecourse to us and we have no contractual obligation to fund our subsidiaries' respective operations.

TRANSACTIONS AFFECTING OUR DEBT

Senior Credit Facilities

As of June 30, 2010, our Senior Credit Facilities consisted of (i) our $225 million revolving facility ("Revolving Facility"); (ii) our $1,302 million term loan B facility ("Term Loan B"); and (iii) our $427 million ($383 million carrying value) term loan C facility ("Term Loan C" and, collectively with Term Loan B, the "Dollar Term Loans"). As of June 30, 2010, we had no borrowings outstanding

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

8. DEBT (Continued)

under our Revolving Facility, and we had approximately $29 million (U.S. dollar equivalents) of letters of credit and bank guarantees issued and outstanding under our Revolving Facility. All of our Senior Credit Facilities are obligations of Huntsman International and are not direct obligations of Huntsman Corporation.

On March 9, 2010, Huntsman International entered into a Fifth Amendment to Credit Agreement (the "Amendment") with JPMorgan Chase Bank, N.A., as successor administrative agent and collateral agent, and the other financial institutions party thereto, which amended certain terms of our Senior Credit Facilities. Among other things, the Amendment

- replaced Deutsche Bank AG New York Branch as administrative agent, collateral agent and U.K. security trustee with JPMorgan Chase Bank, N.A. as administrative agent and collateral agent and JPMorgan Chase Bank, N.A. or an affiliate thereof as U.K. security trustee;

- extended the stated maturity of the Revolving Facility to March 9, 2014 and provides for optional extensions of such stated maturity date from time to time with the consent of the lenders and subject to certain specified conditions and exceptions;

- limits the aggregate amount of the revolving commitments allowable under the Revolving Facility to an amount up to $300 million, including $225 million currently obtained from the lenders;

- terminated a waiver that was entered into on April 16, 2009 with respect to the Leverage Covenant (as defined below) (the "2009 Waiver");

- reduces the maximum letter of credit sublimit to $75 million (not including existing letters of credit issued by Deutsche Bank AG New York Branch) and the maximum swing line sublimit to $25 million;

- increases the applicable LIBOR margin range on revolving loans by 1.75% to 3.50% per annum;

- increases the unused commitment fee percentage to a range of 0.50% to 0.75%; and

- amends the mandatory prepayment provisions to permit the reinvestment of certain insurance and condemnation proceeds.

At the present time, borrowings under the Revolving Facility, Term Loan B and Term Loan C bear interest at LIBOR plus 3.50%, LIBOR plus 1.75% and LIBOR plus 2.25%, respectively. However, the applicable interest rate of Term Loan B is subject to a reduction to LIBOR plus 1.5% upon achieving certain secured leverage ratio thresholds. The Revolving Facility matures on March 9, 2014 (subject to optional extensions from time to time with the consent of the lenders and subject to certain specified conditions and exceptions), Term Loan B matures in 2014 and Term Loan C matures in 2016. Notwithstanding the stated maturity dates, the maturities of the Revolving Facility and the Dollar Term Loans will accelerate if we do not repay or refinance all but $100 million of Huntsman International's outstanding debt securities on or before three months prior to the maturity dates of such debt securities.

Table of Contents

8. DEBT (Continued)

During the six months ended June 30, 2010, we paid the annual scheduled repayment of $16 million on Term Loan B and $5 million on Term Loan C. In addition, we made the following prepayments on our Senior Credit Facilities:

On April 26, 2010, we prepaid $124 million on Term Loan B and $40 million on Term Loan C with cash flow from operations. In connection with this prepayment, we incurred a loss on early extinguishment of debt of $5 million.

On June 22, 2010, we prepaid $83 million on Term Loan B and $27 million on Term Loan C with proceeds from the final settlement of insurance claims. See "Note 1. General Recent Developments" and "Note 17. Casualty Losses and Insurance Recoveries Port Arthur, Texas Plant Fire." In connection with this prepayment, we incurred a loss on early extinguishment of debt of $2 million.

Accounts Receivable Securitization

Under our A/R Programs, we grant an undivided interest in certain of our trade receivables to bankruptcy-remote special purpose entities (the "U.S. SPE" and the "EU SPE"). This undivided interest serves as security for the issuance of debt. The A/R Programs provide for financing through a conduit program (in both U.S. dollars and euros). Receivables transferred under the A/R Programs qualified as sales through December 31, 2009. Upon adoption of new accounting guidance in 2010, transfers of accounts receivable under our A/R Programs no longer met the criteria for derecognition. Accordingly, the amounts outstanding under our A/R Programs are accounted for as secured borrowings as of January 1, 2010. See "Note 2. Recently Issued Accounting Pronouncements."

As of June 30, 2010, under our A/R Programs, we had $226 million in U.S. dollar equivalents in loans outstanding (consisting of $55 million and €139 million (approximately $171 million)). As of June 30, 2010, $588 million of accounts receivable were pledged as collateral under the A/R Programs. As of December 31, 2009, the A/R Programs had $254 million in U.S. dollar equivalents in loans outstanding (consisting of $55 million and €139 million (approximately $199 million)).

2020 Subordinated Notes

On March 17, 2010, Huntsman International completed a $350 million offering of 8.625% subordinated notes due March 15, 2020 (the "2020 Subordinated Notes"). We used the net proceeds of $343 million to redeem a portion of our euro-denominated senior subordinated notes due 2013 (€184 million (approximately $253 million)) and a portion of our euro-denominated senior subordinated notes due 2015 (€59 million (approximately $81 million)). See " Redemption of Notes" below.

At any time prior to March 15, 2013, Huntsman International may redeem up to 40% of the aggregate principal amount of the 2020 Subordinated Notes with the net cash proceeds of certain equity offerings. Huntsman International may redeem the 2020 Subordinated Notes in whole or in part prior to March 15, 2015 at a price equal to 100% of the principal amount thereof plus a "make-whole" premium. The 2020 Subordinated Notes are redeemable on or after March 15, 2015 at 104.3125%, declining ratably to par on or after March 15, 2018.

Table of Contents

8. DEBT (Continued)

Interest is payable on the 2020 Subordinated Notes semiannually on March 15 and September 15 of each year. The 2020 Subordinated Notes are general unsecured senior subordinated obligations of Huntsman International and are guaranteed on a general unsecured senior subordinated basis by our subsidiary guarantors (the "Subsidiary Guarantors"). The indenture governing the 2020 Subordinated Notes contains covenants relating to, among other things, the following: the incurrence of additional indebtedness; the payment of dividends and the payment of certain other restricted payments; transactions with affiliates; creating dividend or other payment restrictions affecting restricted subsidiaries; the merger or consolidation with any other person or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of its assets; or the adoption of a plan of liquidation.

Redemption of Notes

On March 17, 2010, Huntsman International repaid €184 million (approximately $253 million) of its 6.875% senior subordinated notes due 2013. The amount paid to redeem the notes, excluding accrued interest, was €189 million (approximately $259 million), which included principal of €184 million (approximately $253 million) and premium of €5 million (approximately $7 million). As of June 30, 2010, the 6.875% senior subordinated notes due 2013 have a remaining balance of €216 million (approximately $265 million).

On March 17, 2010, Huntsman International repaid €59 million (approximately $81 million) of its 7.5% senior subordinated notes due 2015. The amount paid to redeem the notes, excluding accrued interest, was €59 million (approximately $81 million). As of June 30, 2010, the 7.5% senior subordinated notes due 2015 have a remaining balance of €76 million (approximately $93 million).

On January 11, 2010, we repurchased the entire $250 million principal amount of our outstanding Convertible Notes for approximately $382 million from Apollo and its affiliates. The Convertible Notes were issued to Apollo in December 2008. The Convertible Notes, which would have matured on December 23, 2018, bore interest at 7% per annum and were convertible into approximately 31.8 million shares of our common stock. As a result of the repurchase of the Convertible Notes, we recorded a loss on early extinguishment of debt in the first quarter of 2010 of $146 million.

In connection with these redemptions, we recorded a loss on early extinguishment of debt of $155 million.

Other Debt

On April 1, 2010, our $25 million European overdraft facility was terminated. This facility was a demand facility used for the working capital needs of our European subsidiaries. We continue to maintain certain other foreign overdraft facilities used for working capital needs. We are in the process of replacing this facility with a new overdraft facility.

HPS obtained secured loans for the construction of its MDI production facility. This debt consists of various committed loans, including both U.S. dollar and RMB term loans and RMB working capital loans. During the six months ended June 30, 2010, HPS refinanced RMB 130 million (approximately $19 million) in working capital loans that were scheduled to be repaid during the quarter. The loans

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

8. DEBT (Continued)

were refinanced for three years at the same interest rate of 90% of the Peoples Bank of China rate, which was 4.9% as of June 30, 2010.

On June 30, 2010 we amended certain facilities belonging to our Huntsman Corporation Australia subsidiaries (the "Australian Credit Facilities"). The amendment among other things, extended the maturity of the facility to June 2015 and amended the interest rate to the Australian index rate plus a margin of 3.75% for borrowings under the revolving facility and 3.5% under the term facility so long as a guarantee remains in place from Huntsman Corporation. In addition, the facility amended the revolver collateral to include the secured interest in eligible receivables of the borrower. The aggregate outstanding balances as of June 30, 2010 under the Australian Credit Facilities was A$34 million (approximately $30 million, of which $17 million is classified as current portion of long term debt).

Intercompany Note

Under an existing promissory note (the "Intercompany Note"), we have provided financing to Huntsman International. As of June 30, 2010, the outstanding total balance of the Intercompany Note was $535 million. Under the agreements governing our Senior Credit Facilities, Huntsman International cannot repay amounts under the Intercompany Note if there are any outstanding revolving loans, swing line loans or outstanding letters of credit that are not cash collateralized, unless, before and after giving effect to such payment on a pro forma basis, Huntsman International is in compliance with the Leverage Covenant. Huntsman International is currently in compliance with Leverage Covenant, and during the six months ended June 30, 2010, repaid a net $15 million under the Intercompany Note. As of June 30, 2010, and in accordance with the limitation contained in the agreements governing our Senior Credit Facilities as described above, Huntsman International would be permitted to repay the entire $535 million balance on the Intercompany Note.

The Intercompany Note is unsecured and $100 million of the outstanding amount is classified as current as of June 30, 2010 on the accompanying condensed consolidated balance sheets (unaudited). As of June 30, 2010, under the terms of the Intercompany Note, Huntsman International promises to pay us interest on the unpaid principal amount at a rate per annum based on the previous monthly average borrowing rate obtained under our U.S. A/R Program, less 10 basis points (provided that the rate shall not exceed an amount that is 25 basis points less than the monthly average borrowing rate obtained for the U.S. LIBOR-based borrowings under our Revolving Facility). Subject to the conditions of the Senior Credit Facilities, with our consent, the principal and accrued interest outstanding under the Intercompany Note may also be forgiven, capitalized or satisfied with any alternate form of consideration.

COMPLIANCE WITH COVENANTS

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

Our Senior Credit Facilities are subject to a single financial covenant (the "Leverage Covenant"), which applies only to the Revolving Facility and is tested at the Huntsman International level. The

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

8. DEBT (Continued)

Leverage Covenant is applicable only if borrowings, letters of credit or guarantees are outstanding under the Revolving Facility (cash collateralized letters of credit or guarantees are not deemed outstanding). The Leverage Covenant is a net senior secured leverage ratio covenant, which requires that Huntsman International's ratio of senior secured debt to EBITDA (as defined in the applicable agreement) is no more than 3.75 to 1.

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

The agreements governing our A/R Programs also contain certain financial covenants. Any material failure to meet the applicable A/R Program's covenants in the future could lead to an event of default under the A/R Programs, which could require us to cease our use of such facilities. Under these circumstances, unless any default was remedied or waived, we would likely lose the ability to obtain financing with respect to our trade receivables. A material default under the A/R Programs would also constitute an event of default under our Senior Credit Facilities, which could require us to pay off the balance of the Senior Credit Facilities in full and could result in the loss of our Senior Credit Facilities.

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 in 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) income, 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 in accumulated other comprehensive (loss) income.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Our cash flows and earnings are subject to fluctuations due to exchange rate variation. Our revenues and expenses are denominated in various currencies. 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 currency exposures in a manner that would eliminate the effect of changes in exchange rates on our cash flows and earnings. As of June 30, 2010, we had approximately $111 million notional amount (in U.S. dollar equivalents) outstanding in forward foreign currency contracts.

On December 9, 2009, we entered into a five-year interest rate contract to hedge the variability caused by monthly changes in cash flow due to associated changes in LIBOR under our Senior Credit Facilities. The notional value of the contract is $50 million and was designated as a cash flow hedge. The effective portion of the changes in the fair value of the swap was recorded in other comprehensive loss. We will pay a fixed 2.6% on the hedge and receive the one-month LIBOR rate. As of June 30, 2010, the fair value of the hedge was $2 million and is recorded in other noncurrent liabilities.

On January 19, 2010, we entered into an additional five-year interest rate contract to hedge the variability caused by monthly changes in cash flow due to associated changes in LIBOR under our Senior Credit Facilities. The notional value of the contract is $50 million and was designated as a cash flow hedge. The effective portion of the changes in the fair value of the swap was recorded in other comprehensive loss. We will pay a fixed 2.8% on the hedge and receive the one-month LIBOR rate. As of June 30, 2010, the fair value of the hedge was $2 million and is recorded in other noncurrent liabilities.

In conjunction with the issuance of our 2020 Subordinated Notes, we entered into cross-currency interest rate contracts with three counterparties. On March 17, 2010, we made payments of $350 million to these counterparties and received €255 million from these counterparties, and on maturity, March 15, 2015; we are required to pay €255 million to these counterparties and will receive $350 million from these counterparties. On March 15 and September 15 of each year, we will receive U.S. dollar interest payments of approximately $15 million (equivalent to an annual rate of 8.625%) and make interest payments of approximately €11 million (equivalent to an annual rate of approximately 8.41%). This swap is designated as a hedge of net investment for financial reporting purposes. As of June 30, 2010, the fair value of this swap was $51 million and was recorded as noncurrent assets in our condensed consolidated balance sheet (unaudited). For the three and six months ended June 30, 2010, the effective portion of the changes in the fair value of $32 million and $37 million, respectively, was recorded in other comprehensive income, with the ineffective portion of $15 million and $14 million, respectively, recorded as a reduction to interest expense. On July 15, 2010, we changed the method of assessing the effectiveness of this hedge from the spot method to the forward method, which we believe will reduce the ineffective portion and lower volatility in interest expense in future periods.

As of and for the three and six months ended June 30, 2010, the changes in fair value of the realized gains (losses) recorded in the accompanying condensed consolidated statements of operations

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

(unaudited) of our other outstanding foreign currency rate hedging contracts and derivatives were not considered significant.

A significant portion of our intercompany 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 ("permanent loans") and the designation of certain debt and swaps as net investment hedges.

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

From time to time, we review our non-U.S. dollar denominated debt and swaps to determine the appropriate amounts designated as hedges. As of June 30, 2010, we have designated approximately €475 million ($584 million) of euro-denominated debt and the cross-currency interest rate swap as a hedge of our net investments. For the three and six months ended June 30, 2010, the amount of gain recognized on the hedge of our net investments was $53 million and $88 million, respectively and was recorded in other comprehensive loss. As of June 30, 2010, we had approximately €1,168 million ($1,436 million) in net euro assets.

10. FAIR VALUE

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

Huntsman Corporation

	June 30, 2010		December 31, 2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Non-qualified employee benefit plan investments	$ 10	$ 10	$ 10	$ 10
Cross-currency interest rate contracts	51	51		
Interest rate contracts	(4)	(4)	(1)	(1)
Long-term debt (including current portion)	(3,867)	(3,798)	(4,212)	(4,390)

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

10. FAIR VALUE (Continued)

Huntsman International

	June 30, 2010		December 31, 2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Non-qualified employee benefit plan investments	$ 10	$ 10	$ 10	$ 10
Cross-currency interest rate contracts	51	51		
Interest rate contracts	(4)	(4)	(1)	(1)
Long-term debt (including current portion)	(3,867)	(3,798)	(3,976)	(3,951)

The carrying amounts reported in the balance sheets for 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 value of non-qualified employee benefit plan investments is estimated using prevailing market prices. The estimated fair values of our long-term debt other than the Convertible Notes are based on quoted market prices for the identical liability when traded as an asset in an active market. The estimated fair value of our Convertible Notes at December 31, 2009 was based on the present value of estimated future cash flows, calculated using management's best estimates of key assumptions including relevant interest rates, expected share volatility, dividend yields and the probabilities associated with certain features of the Convertible Notes.

The fair value estimates presented herein are based on pertinent information available to management as of June 30, 2010 and December 31, 2009. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since June 30, 2010, and current estimates of fair value may differ significantly from the amounts presented herein.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

10. FAIR VALUE (Continued)

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

Description	June 30, 2010	Fair Value Amounts Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Available-for-sale equity securities:				
Equity mutual funds	$ 10	$ 10	$	$
Derivatives:				
Cross-currency interest rate contract(1)	51			51
Total assets	$ 61	$ 10	$	$ 51
Liabilities:				
Derivatives:				
Interest rate contracts(2)	$ 4	$	$ 4	$

(1) The income approach is used to calculate the fair value of these instruments. Fair value represents the present value of estimated future cash flows, calculated using relevant interest rates, exchange rates, and yield curves at stated intervals.

(2) The income approach is used to calculate the fair value of these instruments. Fair value represents the present value of estimated future cash flows, calculated using relevant interest rates and yield curves at stated intervals.

The following table shows a reconciliation of beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (dollars in millions):

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Three months ended June 30, 2010: Retained Interest in Securitized Receivables	Cross-Currency Interest Rate Contract	Total	Six months ended June 30, 2010: Retained Interest in Securitized Receivables	Cross-Currency Interest Rate Contract	Total
Beginning balance	$	$ 4	$ 4	$ 262	$	$ 262
Total gains or losses						
Included in earnings (or changes in net assets)		15	15		14	14
Included in other comprehensive income (loss)		32	32		37	37
Purchases, issuances, sales and settlements(1)				(262)		(262)
Ending balance	$	$ 51	$ 51	$	$ 51	$ 51

The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at June 30, 2010	$	$ 15	$ 15	$	$ 14	$ 14

(1) Upon adoption of ASU 2009-16, transfers of our accounts receivable under our A/R Programs no longer met the criteria for derecognition. Accordingly, beginning January 1, 2010, the amounts outstanding under the A/R Programs were accounted for as secured borrowings and the retained interest in securitized receivables was no longer relevant.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

10. FAIR VALUE (Continued)

Gains and losses (realized and unrealized) included in earnings (or changes in net assets) for the three months and six months ended June 30, 2010 are reported in interest expense and other comprehensive loss as follows (dollars in millions):

	Three months ended June 30, 2010		Six months ended June 30, 2010	
	Interest Expense	Other comprehensive income (loss)	Interest Expense	Other comprehensive income (loss)
Total net (losses) gains included in earnings	$ 15	$	$ 14	$
Changes in unrealized gains (losses) relating to assets still held at June 30, 2010	15	32	14	37

11. EMPLOYEE BENEFIT PLANS

Components of the net periodic benefit costs for the three and six months ended June 30, 2010 and 2009 were as follows (dollars in millions):

Huntsman Corporation

	Defined Benefit Plans Three Months Ended June 30,		Other Postretirement Benefit Plans Three Months Ended June 30,	
	2010	2009	2010	2009
Service cost	$ 16	$ 17	$ 1	$ 1
Interest cost	35	35	2	2
Expected return on assets	(40)	(35)		
Amortization of prior service cost	(2)	(2)		
Amortization of actuarial loss	6	8		
Curtailment gain		(1)		
Net periodic benefit cost	$ 15	$ 22	$ 3	$ 3

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

11. EMPLOYEE BENEFIT PLANS (Continued)

	Defined Benefit Plans Six Months Ended June 30,		Other Postretirement Benefit Plans Six Months Ended June 30,	
	2010	2009	2010	2009
Service cost	$ 33	$ 33	$ 2	$ 2
Interest cost	71	70	4	4
Expected return on assets	(82)	(70)		
Amortization of prior service cost	(3)	(3)	(1)	(1)
Amortization of actuarial loss	12	17		1
Special termination benefits		1		
Curtailment gain		(1)		
Net periodic benefit cost	$ 31	$ 47	$ 5	$ 6

Huntsman International

	Defined Benefit Plans Three Months Ended June 30,		Other Postretirement Benefit Plans Three Months Ended June 30,	
	2010	2009	2010	2009
Service cost	$ 16	$ 17	$ 1	$ 1
Interest cost	35	35	2	2
Expected return on assets	(40)	(35)		
Amortization of prior service cost	(2)	(2)		
Amortization of actuarial loss	7	10		
Curtailment gain		(1)		
Net periodic benefit cost	$ 16	$ 24	$ 3	$ 3

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

11. EMPLOYEE BENEFIT PLANS (Continued)

	Defined Benefit Plans Six Months Ended June 30,		Other Postretirement Benefit Plans Six Months Ended June 30,	
	2010	2009	2010	2009
Service cost	$ 33	$ 33	$ 2	$ 2
Interest cost	71	70	4	4
Expected return on assets	(82)	(70)		
Amortization of prior service cost	(3)	(3)	(1)	(1)
Amortization of actuarial loss	15	20		1
Special termination benefits		1		
Curtailment gain		(1)		
Net periodic benefit cost	$ 34	$ 50	$ 5	$ 6

During the six months ended June 30, 2010 and 2009, we made contributions to our pension and other postretirement benefit plans of $72 million and $61 million, respectively. During the remainder of 2010, we expect to contribute an additional amount of $47 million to these plans.

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act. On March 30, 2010, President Obama signed into law a reconciliation measure, the Health Care and Education Reconciliation Act of 2010. The passage of this legislation has resulted in comprehensive reform of health care in the U.S. We are currently evaluating the impact of this legislation on our results of operations and financial condition.

12. STOCKHOLDERS' EQUITY

COMMON STOCK DIVIDENDS

On each of June 30, 2010 and March 31, 2010, we paid cash dividends of $24 million, or $0.10 per share, to common stockholders of record as of June 15, 2010 and March 15, 2010, respectively. On each of March 31, 2009 and June 30, 2009, we paid cash dividends of approximately $23 million, or $0.10 per share, to common stockholders of record as of March 16, 2009 and June 15, 2009, respectively.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

13. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) were as follows (dollars in millions):

Huntsman Corporation

	Accumulated other comprehensive income (loss)		Other comprehensive income (loss)			
			Three Months Ended		Six Months Ended	
	June 30, 2010	December 31, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Foreign currency translation adjustments, net of tax of $40 and $15 as of June 30, 2010 and December 31, 2009, respectively	$ 161	$ 274	$ (63)	$ 125	$ (113)	$ 40
Pension and other postretirement benefit adjustments, net of tax of $100 and $102 as of June 30, 2010 and December 31, 2009, respectively	(570)	(580)	4	4	10	11
Other comprehensive income (loss) of unconsolidated affiliates	7	7				(3)
Other, net	1	6	(5)	1	(5)	
Total	(401)	(293)	(64)	130	(108)	48
Amounts attributable to noncontrolling interests	6	6				
Amounts attributable to Huntsman	$ (395)	$ (287)	$ (64)	$ 130	$ (108)	$ 48

Corporation

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

13. OTHER COMPREHENSIVE INCOME (LOSS) (Continued)

Huntsman International

	Accumulated other comprehensive income (loss)		Other comprehensive income (loss)			
			Three Months Ended		Six Months Ended	
	June 30, 2010	December 31, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Foreign currency translation adjustments, net of tax of $27 and $2 as of June 30, 2010 and December 31, 2009, respectively	$ 159	$ 273	$ (63)	$ 124	$ (114)	$ 41
Pension and other postretirement benefit adjustments, net of tax of $131 and $134 as of June 30, 2010 and December 31, 2009, respectively	(622)	(635)	5	6	13	13
Other comprehensive income (loss) of unconsolidated affiliates	7	7				(3)
Other, net	(4)	1	(5)		(5)	
Total	(460)	(354)	(63)	130	(106)	51
Amounts attributable to noncontrolling interests	6	6				
Amounts attributable to Huntsman International LLC	$ (454)	$ (348)	$ (63)	$ 130	$ (106)	$ 51

Items of other comprehensive income (loss) of our Company and our consolidated affiliates have been recorded net of tax, with the exception of the foreign currency translation adjustments related to subsidiaries with earnings permanently reinvested. The tax effect is determined based upon the jurisdiction where the income or loss was recognized and is net of valuation allowances.

14. COMMITMENTS AND CONTINGENCIES

LEGAL MATTERS

Asbestos Litigation

We have been named as a "premises defendant" in a number of asbestos exposure cases, typically claims by non-employees of exposure to asbestos while at a facility. In the past, these cases typically have involved multiple plaintiffs bringing actions against multiple defendants, and the complaints have not indicated which plaintiffs were making claims against which defendants, where or how the alleged injuries occurred or what injuries each plaintiff claimed. These facts, which would be central to any estimate of probable loss, generally have been learned only through discovery.

Where a claimant's alleged exposure occurred prior to our ownership of the relevant "premises," the prior owners generally have contractually agreed to retain liability for, and to indemnify us against, asbestos exposure claims. This indemnification is not subject to any time or dollar amount limitations.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

14. COMMITMENTS AND CONTINGENCIES (Continued)

Upon service of a complaint in one of these cases, we tender it to the prior owner. None of the complaints in these cases state the amount of damages being sought. The prior owner accepts responsibility for the conduct of the defense of the cases and payment of any amounts due to the claimants. In our sixteen-year experience with tendering these cases, we have not made any payment with respect to any tendered asbestos cases. We believe that the prior owners have the intention and ability to continue to honor their indemnity obligations, although we cannot assure you that they will continue to do so or that we will not be liable for these cases if they do not.

The following table presents for the periods indicated certain information about cases for which service has been received that we have tendered to the prior owner, all of which have been accepted.

	Six months ended June 30,	
	2010	**2009**
Unresolved at beginning of period	1,138	1,140
Tendered during period	21	6
Resolved during period(1)	14	11
Unresolved at end of period	1,145	1,135

(1) Although the indemnifying party informs us when tendered cases have been resolved, it generally does not inform us of the settlement amounts relating to such cases, if any. The indemnifying party has informed us that it typically manages our defense together with the defense of other entities in such cases and resolves claims involving multiple defendants simultaneously, and that it considers the allocation of settlement amounts, if any, among defendants to be confidential and proprietary. Consequently, we are not able to provide the number of cases resolved with payment by the indemnifying party or the amount of such payments.

We have never made any payments with respect to these cases. As of June 30, 2010, we had an accrued liability of $16 million relating to these cases and a corresponding receivable of $16 million relating to our indemnity protection with respect to these cases. We cannot assure you that our liability will not exceed our accruals or that our liability associated with these cases would not be material to our financial condition, results of operations or liquidity; however, we are not able to estimate the amount or range of loss in excess of our accruals. Additional asbestos exposure claims may be made against us in the future, and such claims could be material. However, because we are not able to estimate the amount or range of losses associated with such claims, we have made no accruals with respect to unasserted asbestos exposure claims as of June 30, 2010.

Certain cases in which we are a "premises defendant" are not subject to indemnification by prior owners or operators. The following table presents for the periods indicated certain information about

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

14. COMMITMENTS AND CONTINGENCIES (Continued)

these cases. Cases include all cases for which service has been received by us. Certain prior cases that were filed in error against us have been dismissed.

	Six months ended June 30,	
	2010	**2009**
Unresolved at beginning of period	39	43
Filed during the period	1	1
Resolved during period	2	2
Unresolved at end of period	38	42

We paid gross settlement costs for asbestos exposure cases that are not subject to indemnification of $200,000 and nil during the six months ended June 30, 2010 and 2009, respectively. As of June 30, 2010, we had an accrual of $225,000 relating to these cases. We cannot assure you that our liability will not exceed our accruals or that our liability associated with these cases would not be material to our financial condition, results of operations or liquidity; however, we are not able to estimate the amount or range of loss in excess of our accruals. Additional asbestos exposure claims may be made against us in the future, and such claims could be material. However, because we are not able to estimate the amount or range of losses associated with such claims, we have made no accruals with respect to unasserted asbestos exposure claims as of June 30, 2010.

Antitrust Matters

We have been named as a defendant in civil class action antitrust suits alleging that between 1999 and 2004 we conspired with Bayer, BASF, Dow and Lyondell to fix the prices of MDI, TDI, polyether polyols, and related systems ("polyether polyol products") sold in the U.S. in violation of the federal Sherman Act. These cases are consolidated as the "Polyether Polyols" cases in multidistrict litigation known as In re Urethane Antitrust Litigation, MDL No. 1616, Civil No. 2:04-md-01616-JWL-DJW, pending in the U.S. District Court for the District of Kansas.

In addition, we and the other Polyether Polyol defendants have also been named as defendants in three civil antitrust suits brought by certain direct purchasers of polyether polyol products that opted out of the class certified in MDL No. 1616. While these opt out plaintiffs make similar claims as the class plaintiffs, the court denied defendants' motion to dismiss claims of improper activity outside the class period. Accordingly, the relevant time frame for these cases is 1994-2006. These cases are referred to as the direct action cases and are pending in the U.S. District Court for the District of New Jersey.

Merits discovery was consolidated in the MDL No. 1616 for both the class and direct action cases and is ongoing. The trial is currently scheduled for February 2012.

Two purported class action cases filed May 5 and 17, 2006 pending in the Superior Court of Justice, Ontario Canada and Superior Court, Province of Quebec, District of Quebec, by direct purchasers of MDI, TDI and polyether polyols and by indirect purchasers of these products remain dormant. A purported class action case filed February 15, 2002 by purchasers of products containing rubber and urethanes products and pending in Superior Court of California, County of San Francisco is

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

14. COMMITMENTS AND CONTINGENCIES (Continued)

stayed pending resolution of MDL No. 1616. Finally, we have been named in a proposed third amended complaint by indirect purchasers of MDI, TDI, polyether polyols and polyester polyols pending against Bayer and Chemtura in the U.S. District Court for the District of Massachusetts. The matter is currently stayed pending a settlement of previously asserted claims against Bayer and Chemtura. We filed papers opposing the motion for leave to file the proposed amended complaint adding us as a defendant in that action. The plaintiffs in each of these matters make similar claims against the defendants as the class plaintiffs in MDL No. 1616.

We have been named as a defendant in two purported class action civil antitrust suits alleging that we and our co-defendants and other co-conspirators conspired to fix prices of titanium dioxide sold in the U.S. between at least March 1, 2002 and the present. The cases were filed on February 9 and 12, 2010 in the U.S. District Court for the District of Maryland and a consolidated complaint was filed on April 12, 2010. The other defendants named in this matter are E.I. Dupont De Nemours and Company, Kronos Worldwide Inc., Millenium Inorganic Chemicals, Inc. and the National Titanium Dioxide Company Limited (d/b/a Cristal). Together with our co-defendants we have filed a motion to dismiss this litigation.

In all of the antitrust litigation currently pending against us the plaintiffs generally are seeking injunctive relief, treble damages, costs of suit and attorneys fees.

The plaintiffs' pleadings in these various antitrust suits provide few specifics about any alleged illegal conduct on our part, and we are not aware of any illegal conduct by us or any of our employees. For these reasons, we cannot estimate the possibility of loss or range of loss relating to these claims, and therefore we have not accrued a liability for these claims. Nevertheless, we could incur losses due to these claims in the future and those losses could be material.

MTBE Litigation

We are named as a defendant in 18 lawsuits pending in litigation filed between March 23, 2007 and June 24, 2009 in New York federal and state courts alleging liability related to MTBE contamination in groundwater. Numerous other companies, including refiners, manufacturers and sellers of gasoline, as well as manufacturers of MTBE, were named as defendants in these and many other cases that were pending in U.S. courts. The plaintiffs in the 18 cases in which we are named are municipal water districts, a regional water supply authority and municipal corporations that claim that defendants' conduct has caused MTBE contamination of their groundwater. Four cases are pending in the U.S. District Court for the Southern District of New York and 14 are pending in the Supreme Court of the state of New York, nine in Nassau County and five in Suffolk County. The plaintiffs seek injunctive relief, such as monitoring and abatement, compensatory damages, punitive damages and attorney fees. We joined with a larger group of defendants in mediation with the plaintiffs and reached a tentative settlement with the plaintiffs on February 3, 2010 in each of the cases in which we have been named. On August 2, 2010, we paid our portion of the settlement and the settlement became final. Our allocated portion of the total settlement is not material to our ongoing operations. We have accrued a liability for these claims equal to our allocated portion of the settlement.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

14. COMMITMENTS AND CONTINGENCIES (Continued)

Port Arthur Plant Fire Insurance Litigation

On April 29, 2006, our former Port Arthur, Texas olefins manufacturing plant (which we sold to Flint Hills Resources in November 2007) experienced a major fire. The plant was covered by property damage and business interruption insurance through IRIC, our captive insurer, and certain Reinsurers. The property damage and business interruption insurance was subject to a combined deductible of $60 million. We, together with IRIC, asserted claims to the Reinsurers related to losses occurring as a result of this fire. On August 31, 2007, the Reinsurers brought an action against us in the U.S. District Court for the Southern District of Texas. The action sought to compel us to arbitrate with the Reinsurers to resolve disputes related to our claims or, in the alternative, to declare judgment in favor of the Reinsurers. Pursuant to a December 29, 2008 agreement, we participated with the Reinsurers in binding arbitration. We paid our deductible on the claim of $60 million and were paid $365 million by the Reinsurers prior to the commencement of binding arbitration. On May 14, 2010, we entered into a settlement agreement with the Reinsurers, including those Reinsurers that did not participate in the arbitration proceedings, that resolved the remainder of our insurance claim for a total amount of $110 million. The Reinsurers completed the payment of this amount on June 15, 2010. For more information, see "Note 1. General Recent Developments" and "Note 17. Casualty Losses and Insurance Recoveries Port Arthur, Texas Plant Fire."

Other Proceedings

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

Guarantees

Our unconsolidated joint venture, the Arabian Amines Company, obtained various loan commitments in the aggregate amount of approximately $195 million (U.S. dollar equivalents) of which $192 million, was drawn and outstanding as of June 30, 2010. We have provided certain guarantees of approximately $14 million for these commitments and our guarantees will terminate upon completion of the project and satisfaction of certain other conditions. We have estimated that the fair value of such guarantees was nil as of the closing date of this transaction and, accordingly, no amounts have been recorded.

15. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

GENERAL

We are subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to safety, pollution, protection of the environment and the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. In the ordinary course of business, we are subject to frequent environmental inspections and monitoring and

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

15. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

occasional investigations by governmental enforcement authorities. In addition, our production facilities require operating permits that are subject to renewal, modification and, in certain circumstances, revocation. Actual or alleged violations of safety laws, environmental laws or permit requirements could result in restrictions or prohibitions on plant operations, substantial civil or criminal sanctions, as well as, under some environmental laws, the assessment of strict liability and/or joint and several liability. Moreover, changes in environmental regulations could inhibit or interrupt our operations, or require us to modify our facilities or operations. Accordingly, environmental or regulatory matters may cause us to incur significant unanticipated losses, costs or liabilities.

ENVIRONMENTAL, HEALTH AND SAFETY SYSTEMS

We are committed to achieving and maintaining compliance with all applicable EHS legal requirements, and we have developed policies and management systems that are intended to identify the multitude of EHS legal requirements applicable to our operations, enhance compliance with applicable legal requirements, ensure the safety of our employees, contractors, community neighbors and customers and minimize the production and emission of wastes and other pollutants. Although EHS legal requirements are constantly changing and are frequently difficult to comply with, these EHS management systems are designed to assist us in our compliance goals while also fostering efficiency and improvement and minimizing overall risk to us.

EHS CAPITAL EXPENDITURES

We may incur future costs for capital improvements and general compliance under EHS laws, including costs to acquire, maintain and repair pollution control equipment. For the six months ended June 30, 2010 and 2009, our capital expenditures for EHS matters totaled $24 million and $17 million, respectively. Since capital expenditures for these matters are subject to evolving regulatory requirements and depend, in part, on the timing, promulgation and enforcement of specific requirements, we cannot provide assurance that our recent expenditures will be indicative of future amounts required under EHS laws.

REMEDIATION LIABILITIES

We have incurred, and we may in the future incur, liability to investigate and clean up waste or contamination at our current or former facilities or facilities operated by third parties at which we may have disposed of waste or other materials. Similarly, we may incur costs for the cleanup of wastes that were disposed of prior to the purchase of our businesses. Under some circumstances, the scope of our liability may extend to damages to natural resources.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

15. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

Under CERCLA and similar state laws, a current or former owner or operator of real property may be liable for remediation costs regardless of whether the release or disposal of hazardous substances was in compliance with law at the time it occurred, and a current owner or operator may be liable regardless of whether it owned or operated the facility at the time of the release. We have been notified by third parties of claims against us for cleanup liabilities at approximately 10 former facilities or third party sites, including, but not limited to, sites listed under CERCLA. Based on current information and past experiences at other CERCLA sites, we do not expect any of these third party claims to result in material liability to us. Outside the U.S., analogous contaminated property laws, such as those in effect in France and Australia, can hold past owners and/or operators liable for remediation at former facilities.

One of these sites, the North Maybe Canyon Mine CERCLA site, includes an abandoned phosphorous mine near Soda Springs, Idaho that may have been operated by one of our predecessor companies (El Paso Products Company). In 2004, the U.S. Forest Service notified us that we are a CERCLA Potentially Responsible Party (a "PRP") for the mine site involving selenium-contaminated surface water. Under a 2004 administrative order, the current mine lessee, Nu-West Industries, Inc., began undertaking the investigation required for a CERLA removal process. In 2008, the site was transitioned to the CERCLA remedial action process, which requires a Remedial Investigation/Feasibility Study (an "RI/FS"). In 2009, the Forest Service notified the three PRPs (our Company, Nu-West, and Wells Cargo) that it would undertake the RI/FS itself. On February 19, 2010, in conjunction with Wells Cargo, we agreed to jointly comply with a unilateral administrative order (a "UAO") to conduct an RI/FS of the entire West Ridge of the site, although we are alleged to have had only a limited historical presence in the investigation area. In March 2010, following the initiation of litigation by Nu-West, the Forest Service assumed Nu-West's original investigation obligations. We continue to coordinate with our insurers regarding policy coverage in this matter. On June 15, 2010, we received the UAO which had been executed by the Forest Service. At this time, we are unable to estimate the cost of the RI/FS or our ultimate liability in this matter, but we do not believe it will be material to our financial condition.

In addition, under RCRA, and similar state laws, we may be required to remediate contamination originating from our properties as a condition to our hazardous waste permit. Some of our manufacturing sites have an extended history of industrial chemical manufacturing and use, including on-site waste disposal. We are aware of soil, groundwater or surface contamination from past operations at some of our sites, and we may find contamination at other sites in the future. For example, our Port Neches, Texas, and Geismar, Louisiana, facilities are the subject of ongoing remediation requirements under RCRA authority. Similar laws exist in a number of locations in which we currently operate manufacturing facilities, such as Australia, Switzerland and Italy.

In June of 2006, an agreement was reached between the local regulatory authorities and our Advanced Materials site in Pamplona, Spain to relocate our manufacturing operations in order to facilitate new urban development desired by the city. Subsequently, as required by the authorities, soil and groundwater sampling was performed and followed by a quantitative risk assessment. Although unresolved at this time, some level of remediation of site contamination may be required in the future, but the estimated cost is unknown because the remediation approach and timing has not been determined.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

15. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

By letter dated March 7, 2006, our Base Chemicals and Polymers facility in West Footscray, Australia, was issued a clean-up notice by the Australian (Victorian) EPA due to concerns about soil and groundwater contamination emanating from the site. The agency revoked the original clean-up notice on September 4, 2007 and issued a revised clean-up notice due to "the complexity of contamination issues" at the site. On March 31, 2009, we submitted the required site remediation action plan to the agency. The agency has since indicated that it intends to revoke the current notice and issue a revised notice that includes clean-up objectives and the requirement for a financial assurance from us for clean-up. Discussions with the agency on the revised notice are continuing. We can provide no assurance that the agency will agree with our proposal, will not seek to institute additional requirements for the site or that additional costs will not be associated with the clean up. This facility has been closed and demolition commenced in May 2010. In the third quarter of 2009, we recorded a $30 million liability related to estimated environmental remediation costs at this site.

In many cases, our potential liability arising from historical contamination is based on operations and other events occurring prior to our ownership of a business or specific facility. In these situations, we frequently obtained an indemnity agreement from the prior owner addressing remediation liabilities arising from pre-closing conditions. We have successfully exercised our rights under these contractual covenants for a number of sites and, where applicable, mitigated our ultimate remediation liability. We cannot assure you, however, that all of such matters will be subject to indemnity, that the prior owner will honor its indemnity or that our existing indemnities will be sufficient to cover our liabilities for such matters.

By letter of March 15, 2010, the United States Department of Justice (the "DOJ") notified us that the U.S. EPA has requested that the DOJ bring an action in federal court against us and other PRPs for recovery of costs incurred by the U.S. in connection with releases of hazardous substances from the State Marine Superfund Site in Port Arthur, Texas. As of August 31, 2007, the EPA had incurred and paid approximately $2.8 million in unreimbursed response costs related to the site. Prior to filing the complaint, the DOJ requested that PRPs sign and return a standard tolling agreement (from March 31, 2010 through September 30, 2010) and participate in settlement discussions. Our Company originally responded to an information request regarding this site on March 7, 2005 and identified historical transactions associated with a predecessor of a company we acquired. The prior owners have contractually agreed to indemnify us in this matter. While the DOJ is aware of the indemnity, we may be required to participate in future settlement discussions, therefore on March 29, 2010, we submitted the signed tolling agreement and offer to negotiate to the DOJ.

Based on available information and the indemnification rights we believe are likely to be available, we believe that the costs to investigate and remediate known contamination will not have a material adverse effect on our financial condition, results of operations or cash flows. However, if such indemnities are unavailable or do not fully cover the costs of investigation and remediation or we are required to contribute to such costs, and if such costs are material, then such expenditures may have a material adverse effect on our financial condition, results of operations or cash flows. At the current time, we are unable to estimate the full cost, exclusive of indemnification benefits, to remediate any of the known contamination sites.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

15. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

ENVIRONMENTAL RESERVES

We have accrued liabilities relating to anticipated environmental cleanup obligations, site reclamation and closure costs and known penalties. Liabilities are recorded when potential liabilities are either known or considered probable and can be reasonably estimated. Our liability estimates are calculated using present value techniques and are based upon requirements placed upon us by regulators, available facts, existing technology and past experience. The environmental liabilities do not include amounts recorded as asset retirement obligations. We had accrued $40 million and $41 million for environmental liabilities as of June 30, 2010 and December 31, 2009, respectively. Of these amounts, $7 million and $5 million were classified as accrued liabilities in our consolidated balance sheets as of June 30, 2010 and December 31, 2009, respectively, and $33 million and $36 million were classified as other noncurrent liabilities in our consolidated balance sheets as of June 30, 2010 and December 31, 2009, respectively. In certain cases, our remediation liabilities may be payable over periods of up to 30 years. We may incur losses for environmental remediation in excess of the amounts accrued; however, we are not able to estimate the amount or range of such potential excess.

REGULATORY DEVELOPMENTS

Reach Regulations

In December 2006, the EU parliament and EU council approved a new EU regulatory framework for chemicals called "REACH" (Registration, Evaluation and Authorization of Chemicals). REACH took effect on June 1, 2007, and the program it establishes will be phased in over 11 years. Under the regulation, companies that manufacture in or import into the EEA more than one metric tonne of a chemical substance per year will be required to register such chemical substances and isolated intermediates in a central database. Use authorizations will be granted for a specific chemical if the applicants can show that the risks in using the chemical are adequately controlled; and for chemicals where there are no suitable alternatives substances or technologies available and the applicant can demonstrate that the social and economic benefits of using the chemical outweigh the risks. In addition, specified uses of some hazardous substances may be restricted. Furthermore, all applicants will have to study the availability of alternative chemicals. If an alternative is available, an applicant will have to submit a "substitution" plan to the regulatory agency. The regulatory agency will only authorize persistent bio-accumulative and toxic substances if an alternative chemical is not available. The registration, evaluation and authorization phases of the program will require expenditures and resource commitments in order to, for example, participate in mandatory data-sharing forums; acquire, generate and evaluate data; prepare and submit dossiers for substance registration; obtain legal advice and reformulate products, if necessary. We have established a cross-business European REACH team that is working closely with our businesses to identify and list all substances we purchase or manufacture in, or import into, the EEA. We met pre-registration REACH compliance requirements by the November 30, 2008 regulatory deadline, with the exception of pre-registrations for two substances, for a total of 1,850 pre-registrations for substances that we intend to register. We are currently proceeding with the registration of the two substances as provided for under REACH, as well as of the high-volume and high-priority chemicals under the program, which must be registered no later than November 30, 2010. Although the total long-term cost for REACH compliance is not estimable at this

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

15. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

time, we spent approximately $3 million, $2 million and $3 million during the years ended December 31, 2009, 2008 and 2007, respectively, on REACH compliance.

Greenhouse Gas Regulation

In the EU and other jurisdictions committed to compliance with the Kyoto Protocol, there is an increasing likelihood that our manufacturing sites will be affected in some way over the next few years by regulation or taxation of GHG emissions. For example, Australia recently proposed its Carbon Pollution Reduction Scheme, which may impact our Australian operations, and program implementation is currently scheduled for 2011. In addition, although the U.S. is not a signatory to the Kyoto Protocol, several states are implementing their own GHG regulatory programs and a federal program in the U.S. is likely for the future. Draft U.S. federal legislation and the recent U.S. EPA Clean Air Act endangerment findings for carbon dioxide have focused corporate attention on the eventuality of measuring and reporting of GHG emissions for operations in the U.S. The U.S. EPA also recently mandated GHG reporting requirements for U.S. sources in excess of 25,000 tons beginning in 2010. Final details of a comprehensive U.S. GHG management approach are, as yet, uncertain. Nevertheless, we are already managing and reporting GHG emissions, to varying degrees, as required by law for our sites in locations subject to Kyoto Protocol obligations and/or EU emissions trading scheme requirements. Although these sites are subject to existing GHG legislation, few have experienced or anticipate significant cost increases as a result, although it is likely that GHG emission restrictions will increase over time. Potential consequences of such restrictions include capital requirements to modify assets used to meet GHG restriction and/or increases in energy costs above the level of general inflation, as well as direct compliance costs. Currently, however, it is not possible to estimate the likely financial impact of potential future regulation on any of our sites. Finally, it should be noted that some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climatic events. If any of those effects were to occur, they could have an adverse effect on our assets and operations.

Chemical Facility Anti-Terrorism Rulemaking

The DHS issued the final rule of their "Chemical Facility Anti-Terrorism Standard" in 2007. The initial phase of the rule required all chemical facilities in the U.S. to evaluate their facilities against the DHS Appendix A list of "Chemicals of Interest." Facilities which have specified chemicals in threshold quantities on the Appendix A list were required to submit a "Top Screen" to DHS in 2008. A Top Screen is a questionnaire completed by a facility having Chemicals of Interest in designated threshold quantities. In early 2008, we submitted Top Screens for all of our covered facilities. After reviewing the Top Screens, the DHS determined that four of our sites were "High Risk" facilities. As a result, we were required to perform security vulnerability assessments at the High Risk sites. The security vulnerability assessments were completed and sent to DHS during the fourth quarter of 2008. Based on their assessment of the security vulnerability assessments, we received notice from DHS that one of our sites was elevated to a high security risk tier. The DHS determined the other three sites to be lower security risk tiers. The three lower-tiered sites have submitted Site Security Plans ("SSPs") to the DHS. The SSPs are based on a list of 18 risk-based performance standards, but security improvements

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

15. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

recommended from the SSPs are not anticipated to be material. The high tiered site also submitted an SSP to the DHS, and security upgrades as a result of DHS requirements are estimated to cost $8 million to $10 million to be spent during 2011 and 2012. Additionally, on November 26, 2008, the Transportation Safety Administration of the DHS published a final rule regarding "rail security sensitive materials" that are received at, or shipped from, facilities. We have three sites that are subject to this new rule, but at this time do not anticipate that the costs to comply will be material.

MTBE Developments

We produce MTBE, an oxygenate that is blended with gasoline to reduce vehicle air emissions and to enhance the octane rating of gasoline. Litigation or legislative initiatives restricting the use of MTBE in gasoline may subject us or our products to environmental liability or materially adversely affect our sales and costs. Because MTBE has contaminated some water supplies, its use has become controversial in the U.S. and elsewhere, and its use has been effectively eliminated in the U.S. market. We currently market MTBE, either directly or through third parties, to gasoline additive customers located outside the U.S., although there are additional costs associated with such outside-U.S. sales which may result in decreased profitability compared to historical sales in the U.S. We may also elect to use all or a portion of our precursor tertiary butyl alcohol to produce saleable products other than MTBE. If we opt to produce products other than MTBE, necessary modifications to our facilities will require significant capital expenditures and the sale of such other products may produce a lower level of cash flow than that historically produced from the sale of MTBE.

Numerous companies, including refiners, manufacturers and sellers of gasoline, as well as manufacturers of MTBE, have been named as defendants in more than 150 cases in U.S. courts that allege MTBE contamination in groundwater. Many of these cases were settled after the parties engaged in mediation supervised by a court-appointed special settlement master. Beginning in March 2007 and continuing through June 24, 2009, we have been named as a defendant in 18 of these lawsuits pending in New York state and federal courts. See "Note 14. Commitments and Contingencies Legal Matters MTBE Litigation." The plaintiffs in the MTBE groundwater contamination cases generally seek compensatory damages, punitive damages, injunctive relief, such as monitoring and abatement, and attorney fees. We joined with a larger group of defendants to mediate the plaintiffs' claims and reached a tentative settlement on February 3, 2010 in each of the cases in which we have been named. On August 2, 2010, we paid our portion of the settlement and the settlement became final. Our allocated portion of the total settlement amount is not material and we have accrued a liability for the claims equal to our allocated portion of the settlement. It is possible that we could be named as a defendant in additional existing or future MTBE contamination cases. We cannot provide assurances that adverse results against us in existing or future MTBE contamination cases will not have a material adverse effect on our business, results of operations and financial position.

INDIA INVESTIGATION

We have initiated an internal investigation of the operations of Petro Araldite Pvt. Ltd. ("PAPL"), our majority owned joint venture in India. PAPL manufactures and markets base liquid resins, base solid resins and formulated products in India. The investigation, which is ongoing, initially focused on allegations of illegal disposal of hazardous waste and waste water discharge and related reporting

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDA