

Huntsman CORP
Form 10-Q/A
February 21, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10 Q/A

Amendment No. 1

(Mark One)

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

For the quarterly period ended September 30, 2006

OR

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

For the transition period from _____ to _____

Commission File Number	Exact Name of Registrant as Specified in its Charter, Principal Office Address and Telephone Number	State of Incorporation	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 <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
Huntsman International LLC	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

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

Huntsman Corporation	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>
Huntsman International LLC	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>

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

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

On November 10, 2006, 221,566,854 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/A presents information for two registrants: Huntsman Corporation and Huntsman International LLC (Huntsman International). Huntsman International 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/A is equally applicable to both Huntsman Corporation and Huntsman International, except where otherwise indicated. Huntsman International meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q/A and, to the extent applicable, is therefore filing this form with a reduced disclosure format.

Explanatory Note

This Amendment No. 1 on Form 10-Q/A amends Items 1, 2 and 4 of Part I of the Quarterly Report on Form 10-Q previously filed for the quarter ended September 30, 2006, by Huntsman Corporation and Huntsman International LLC. This Form 10-Q/A is filed in connection with the restatement of our financial statements for the three and nine months ended September 30, 2006. Financial statement information and related disclosures included in this Form 10-Q/A reflect, where appropriate, changes as a result of the restatement. All other information contained in this Form 10-Q/A is as of the date of the original filing. In addition, Exhibits 31.1, 31.2, 32.1 and 32.2 of the original filing have been amended to contain currently dated certifications from our Chief Executive Officer and Chief Financial Officer.

In February 2007, we discovered an error in our calculation of the impairment loss related to the sale of our European base chemicals and polymers business. We concluded that there was \$99.0 million in additional non-cash asset impairment charges recorded in discontinued operations for the three and nine months ended September 30, 2006 related to the sale of our European base chemicals and polymers business. In connection with the sale of the European base chemicals and polymers business, we agreed to take action to remove the accounts receivable of this business from our accounts receivable securitization program so that the purchaser could acquire such accounts receivable. The additional non-cash charges resulted primarily because we had not appropriately included the effect of the re-purchase of these receivables in the determination of the impairment loss.

The significant effects on us and Huntsman International of the restatement are described in Note 23. Restatement to our condensed consolidated financial statements (unaudited).

HUNTSMAN CORPORATION AND SUBSIDIARIES
HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q/A FOR THE QUARTERLY PERIOD
ENDED SEPTEMBER 30, 2006

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In Millions, Except Share and Per Share Amounts)

	September 30, 2006 (As restated, see Note 23)	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 245.8	\$ 142.8
Accounts receivable (net of allowance for doubtful accounts of \$56.9 and \$33.7, respectively)	1,398.0	1,475.2
Accounts receivable from affiliates	17.4	7.4
Inventories, net	1,422.2	1,309.2
Prepaid expenses	73.0	46.2
Deferred income taxes	59.3	31.2
Other current assets	134.2	84.0
Current assets held for sale	401.9	
Total current assets	3,751.8	3,096.0
Property, plant and equipment, net	3,942.1	4,643.2
Investment in unconsolidated affiliates	199.7	175.6
Intangible assets, net	194.9	216.3
Goodwill	91.3	91.2
Deferred income taxes	120.6	94.2
Notes receivable from affiliates		3.0
Other noncurrent assets	471.9	551.0
Noncurrent assets held for sale	531.4	
Total assets	\$ 9,303.7	\$ 8,870.5
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,046.8	\$ 1,093.5
Accrued liabilities	601.3	747.2
Deferred income taxes	24.3	2.4
Current portion of long-term debt	226.8	44.6
Current liabilities held for sale	323.2	
Total current liabilities	2,222.4	1,887.7
Long-term debt	4,099.1	4,413.3
Deferred income taxes	207.7	258.3
Other noncurrent liabilities	851.5	770.2
Noncurrent liabilities held for sale	74.4	
Total liabilities	7,455.1	7,329.5
Minority interests in common stock of consolidated subsidiaries	29.5	20.4
Commitments and contingencies (Notes 13 and 14)		

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Stockholders equity:

Common stock \$0.01 par value, 1,200,000,000 shares authorized, 221,576,862 issued and 220,639,647 outstanding in 2006 and 221,200,997 issued and 220,451,484 outstanding in 2005	2.2	2.2
Mandatory convertible preferred stock \$0.01 par value, 100,000,000 shares authorized, 5,750,000 issued and outstanding	287.5	287.5
Additional paid-in capital	2,795.4	2,779.8
Unearned stock-based compensation	(14.9	) (11.8
Accumulated deficit	(1,357.8	) (1,505.8
Accumulated other comprehensive income (loss)	106.7	(31.3
Total stockholders equity	1,819.1	1,520.6
Total liabilities and stockholders equity	\$ 9,303.7	\$ 8,870.5

See accompanying notes to unaudited condensed consolidated financial statements.

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND

COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

(In Millions, Except Per Share Amounts)

	Three Months Ended September 30, 2006 (As restated, see Note 23)		2005		Nine Months Ended September 30, 2006 (As restated, see Note 23)		2005	
Revenues:								
Trade sales, services and fees	\$	2,665.0	\$	2,562.8	\$	8,024.7	\$	8,040.3
Related party sales		21.0		25.1		63.0		80.7
Total revenues		2,686.0		2,587.9		8,087.7		8,121.0
Cost of goods sold		2,313.1		2,184.2		6,893.7		6,771.9
Gross profit		372.9		403.7		1,194.0		1,349.1
Operating expenses:								
Selling, general and administrative		209.7		161.8		555.8		487.4
Research and development		35.3		22.1		88.6		72.0
Other operating (income) expense		(28.6)	)	7.5		(122.8)	)	42.0
Restructuring, impairment and plant closing costs		3.5		66.6		20.0		91.6
Total expenses		219.9		258.0		541.6		693.0
Operating income		153.0		145.7		652.4		656.1
Interest expense, net		(83.4)	)	(101.1)	)	(264.8)	)	(341.8)
Loss on accounts receivable securitization program		(4.0)	)	(2.8)	)	(10.8)	)	(7.5)
Equity in income of unconsolidated affiliates		0.5		1.8		2.6		7.0
Loss on early extinguishment of debt		(14.5)	)	(41.4)	)	(14.5)	)	(276.4)
Other income (expense)		1.3		(2.5)	)	1.4		(3.3)
Income (loss) from continuing operations before income taxes and minority interest		52.9		(0.3)	)	366.3		34.1
Income tax benefit (expense)		17.4		(13.5)	)	(16.0)	)	(36.9)
Minority interest in subsidiaries income		(0.4)	)	(1.6)	)	(1.1)	)	(1.5)
Income (loss) from continuing operations		69.9		(15.4)	)	349.2		(4.3)
(Loss) income from discontinued operations, net of tax		(259.4)	)	(14.5)	)	(257.3)	)	30.7
(Loss) income before extraordinary gain and accounting change		(189.5)	)	(29.9)	)	91.9		26.4
Extraordinary gain on the acquisition of a business, net of tax of nil		7.2				57.7		
Cumulative effect of change in accounting principle, net of tax of \$1.9								4.0
Net (loss) income		(182.3)	)	(29.9)	)	149.6		30.4
Preferred stock dividends								(43.1)
Net (loss) income available to common stockholders	\$	(182.3)	)	\$	(29.9)	)	\$	149.6
							\$	(12.7)
Net (loss) income	\$	(182.3)	)	\$	(29.9)	)	\$	149.6
Other comprehensive income (loss)		57.7		(25.4))	138.0		(177.0)
Comprehensive (loss) income	\$	(124.6))	\$	(55.3))	\$	287.6
							\$	(146.6)

(continued)

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HUNTSMAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE (LOSS) INCOME (UNAUDITED) CONTINUED

(In Millions, Except Per Share Amounts)

	Three Months Ended September 30, 2006 (As restated, see Note 23)		Nine Months Ended September 30, 2006 (As restated, see Note 23)	
	2005		2005	
Basic income (loss) per share:				
Income (loss) from continuing operations	\$ 0.32	\$ (0.07)	\$ 1.58	\$ (0.22)
(Loss) income from discontinued operations, net of tax	(1.18)	(0.07)	(1.16)	0.14
Extraordinary gain on the acquisition of a business, net of tax	0.03		0.26	
Cumulative effect of change in accounting principle, net of tax				0.02
Net (loss) income	\$ (0.83)	\$ (0.14)	\$ 0.68	\$ (0.06)
Weighted average shares	220.6	220.5	220.6	220.5
Diluted income (loss) per share:				
Income (loss) from continuing operations	\$ 0.30	\$ (0.07)	\$ 1.50	\$ (0.22)
(Loss) income from discontinued operations, net of tax	(1.11)	(0.07)	(1.11)	0.14
Extraordinary gain on the acquisition of a business, net of tax	0.03		0.25	
Cumulative effect of change in accounting principle, net of tax				0.02
Net (loss) income	\$ (0.78)	\$ (0.14)	\$ 0.64	\$ (0.06)
Weighted average shares	233.2	220.5	233.1	220.5

See accompanying notes to unaudited condensed consolidated financial statements.

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in Millions)

	Nine Months Ended September 30,	
	2006	2005
	(As restated see Note 23)	
Operating Activities:		
Net income	\$ 149.6	\$ 30.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Extraordinary gain on the acquisition of a business, net of tax	(57.7))
Cumulative effect of change in accounting principle, net of tax		(4.0)
Equity in income of unconsolidated affiliates	(2.6)	(7.0)
Depreciation and amortization	353.2	372.9
Provision for losses on accounts receivable	3.5	12.2
(Gain) loss on disposal of assets	(92.4)	3.6
Loss on pending disposal of discontinued operations	280.2	36.4
Loss on early extinguishment of debt	14.5	276.4
Noncash interest (income) expense	(5.9)	46.0
Noncash restructuring, impairment and plant closing costs	16.8	40.8
Deferred income taxes	2.0	67.8
Net unrealized (gain) loss on foreign currency transactions	(8.7)	21.5
Stock-based compensation	13.0	6.4
Minority interest in subsidiaries income	1.1	1.5
Other, net	(0.2)	(16.4)
Changes in operating assets and liabilities:		
Accounts receivable	182.2	132.3
Inventories, net	(18.6)	(109.9)
Prepaid expenses	(39.2)	(12.1)
Other current assets	(13.0)	(1.2)
Other noncurrent assets	(20.0)	17.4
Accounts payable	68.5	(64.7)
Accrued liabilities	(204.5)	(115.0)
Other noncurrent liabilities	(10.9)	(26.0)
Net cash provided by operating activities	610.9	709.3
Investing Activities:		
Capital expenditures	(327.0)	(202.0)
Acquisition of business, net of cash acquired	(173.2))
Investment in unconsolidated affiliates, net	(13.6)	(2.9)
Proceeds from sale of assets	209.0	10.6
Net proceeds from (investment in) government securities, restricted as to use	10.8	(33.7)
Change in restricted cash		8.9
Other, net	(1.0))
Net cash used in investing activities	(295.0)	(219.1)
Financing Activities:		
Net borrowings (repayments) under revolving loan facilities	62.8	(117.1)
Net (repayments) borrowings on overdraft	(4.7)	17.3
Repayment of long-term debt	(422.4)	(3,685.1)
Proceeds from long-term debt	137.2	1,873.1
Debt issuance costs paid	(3.3)	(15.8)
Call premiums related to early extinguishment of debt	(12.5)	(109.0)
Net borrowings on notes payable	32.7	12.5

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Dividend paid to preferred stockholders	(10.8)	(7.2)
Net proceeds from issuance of common and preferred stock			1,491.9	
Contribution from minority shareholder	6.2		3.6	
Other, net			4.8	
Net cash used in financing activities	(214.8	)	(531.0)
Effect of exchange rate changes on cash	1.9		(2.6)
Increase (decrease) in cash and cash equivalents	103.0		(43.4)
Cash and cash equivalents at beginning of period	142.8		243.2	
Cash and cash equivalents at end of period	\$	245.8	\$	199.8
Supplemental cash flow information:				
Cash paid for interest	\$	314.6	\$	348.5
Cash paid for income taxes	27.8		19.6	

See accompanying notes to unaudited condensed consolidated financial statements.

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in Millions)

	September 30, 2006 (As restated, see Note 23)	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 229.5	\$ 132.5
Accounts receivable (net of allowance for doubtful accounts of \$56.9 and \$33.7, respectively)	1,398.0	1,475.2
Accounts receivable from affiliates	22.9	10.4
Inventories, net	1,422.2	1,309.2
Prepaid expenses	72.1	45.9
Deferred income taxes	56.8	31.2
Other current assets	120.0	69.9
Current assets held for sale	401.9	
Total current assets	3,723.4	3,074.3
Property, plant and equipment, net	3,707.8	4,336.7
Investment in unconsolidated affiliates	199.7	175.6
Intangible assets, net	200.0	222.0
Goodwill	91.3	91.2
Deferred income taxes	120.6	94.2
Notes receivable from affiliates		3.0
Other noncurrent assets	561.0	636.0
Noncurrent assets held for sale	500.1	
Total assets	\$ 9,103.9	\$ 8,633.0
LIABILITIES AND MEMBERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,046.8	\$ 1,092.7
Accounts payable to affiliates	4.6	8.7
Accrued liabilities	585.6	732.3
Deferred income taxes	32.9	2.4
Current portion of long-term debt	226.6	44.6
Current liabilities held for sale	314.6	
Total current liabilities	2,211.1	1,880.7
Long-term debt	4,099.1	4,413.3
Deferred income taxes	194.4	216.9
Other noncurrent liabilities	892.5	770.0
Noncurrent liabilities held for sale	51.7	
Total liabilities	7,448.8	7,280.9
Minority interests in common stock of consolidated subsidiaries	29.5	20.4
Commitments and contingencies (Notes 13 and 14)		
Members equity:		
Members equity, 2,728 units issued and outstanding	2,806.8	2,794.0
Accumulated deficit	(1,254.2)	(1,384.0)

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Accumulated other comprehensive income (loss)	73.0	(78.3)
Total members equity	1,625.6	1,331.7	
Total liabilities and members equity	\$ 9,103.9	\$ 8,633.0	

See accompanying notes to unaudited condensed consolidated financial statements.

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(Dollars in Millions)

	Three Months Ended September 30, 2006 (As restated, see Note 23)		Nine Months Ended September 30, 2006 (As restated, see Note 23)	
	2005	2005	2005	2005
Revenues:				
Trade sales, services and fees	\$ 2,665.0	2,562.8	\$ 8,024.7	\$ 8,040.3
Related party sales	21.0	25.1	63.0	80.7
Total revenues	2,686.0	2,587.9	8,087.7	8,121.0
Cost of goods sold	2,307.8	2,179.4	6,881.1	6,757.7
Gross profit	378.2	408.5	1,206.6	1,363.3
Operating expenses:				
Selling, general and administrative	211.1	160.9	555.7	484.7
Research and development	35.3	22.1	88.6	72.0
Other operating (income) expense	(28.6)	7.5	(122.8)	42.0
Restructuring, impairment and plant closing costs	3.5	66.6	20.0	91.6
Total expenses	221.3	257.1	541.5	690.3
Operating income	156.9	151.4	665.1	673.0
Interest expense, net	(84.6)	(102.7)	(268.3)	(339.5)
Loss on accounts receivable securitization program	(4.0)	(2.8)	(10.8)	(7.5)
Equity in income of unconsolidated affiliates	0.5	1.8	2.6	7.0
Loss on early extinguishment of debt	(18.1)	(45.3)	(18.1)	(121.3)
Other income (expense)	1.2	(2.2)	1.3	(3.3)
Income from continuing operations before income taxes and minority interest	51.9	0.2	371.8	208.4
Income tax benefit (expense)	21.3	(12.0)	(58.2)	(42.9)
Minority interest in subsidiaries income	(0.4)	(1.6)	(1.1)	(1.5)
Income (loss) from continuing operations	72.8	(13.4)	312.5	164.0
(Loss) income from discontinued operations, net of tax	(239.4)	(14.5)	(237.3)	30.7
(Loss) income before extraordinary gain and accounting change	(166.6)	(27.9)	75.2	194.7
Extraordinary gain on the acquisition of a business, net of tax of nil	8.9		55.0	
Cumulative effect of change in accounting principle, net of tax of \$1.5				4.2
Net (loss) income	(157.7)	(27.9)	130.2	198.9
Other comprehensive income (loss)	59.8	(24.3)	151.3	(179.5)
Comprehensive (loss) income	\$ (97.9)	\$ (52.2)	\$ 281.5	\$ 19.4

See accompanying notes to unaudited condensed consolidated financial statements.

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Dollars in Millions)

	Nine Months Ended September 30,	
	2006	2005
	(As restated, see Note 23)	
Operating Activities:		
Net income	\$ 130.2	\$ 198.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Extraordinary gain on the acquisition of a business, net of tax	(55.0))
Cumulative effect of change in accounting principle, net of tax		(4.2)
Equity in income of unconsolidated affiliates	(2.6)	(7.0)
Depreciation and amortization	332.9	352.8
Provision for losses on accounts receivable	3.5	12.2
(Gain) loss on disposal of assets	(92.4)	3.6
Loss on pending disposal of discontinued operations	260.2	36.4
Loss on early extinguishment of debt	18.1	121.3
Noncash interest (income) expense	(2.9)	40.6
Noncash restructuring, impairment and plant closing costs	16.8	40.8
Deferred income taxes	44.2	73.9
Net unrealized (gain) loss on foreign currency transactions	(8.7)	21.5
Minority interest in subsidiaries income	1.1	1.5
Other, net	12.9	(1.7)
Changes in operating assets and liabilities:		
Accounts receivable	183.4	137.2
Inventories, net	(18.6)	(109.9)
Prepaid expenses	(39.2)	(12.3)
Other current assets	(13.0)	(1.2)
Other noncurrent assets	(30.7)	13.2
Accounts payable	68.5	(63.6)
Accrued liabilities	(211.8)	(123.3)
Other noncurrent liabilities	7.7	(13.4)
Net cash provided by operating activities	604.6	717.3
Investing Activities:		
Capital expenditures	(327.0)	(202.0)
Acquisition of business, net of cash acquired	(173.2))
Investment in unconsolidated affiliates, net	(13.6)	(2.9)
Proceeds from sale of assets	209.0	10.6
Change in restricted cash		8.9
Other, net	(1.0))
Net cash used in investing activities	(305.8)	(185.4)
Financing Activities:		
Net borrowings (repayments) under revolving loan facilities	62.8	(117.1)
Net (repayments) borrowings on overdraft	(4.7)	17.3
Repayment of long-term debt	(422.4)	(3,135.5)
Proceeds from long-term debt	137.2	1,873.1
Debt issuance costs paid	(3.3)	(15.8)
Call premiums related to early extinguishment of debt	(12.5)	(67.8)
Net borrowings on notes payable	33.0	14.0
Contribution from parent		837.6
Contribution from minority shareholder	6.2	3.6
Other, net		6.1
Net cash used in financing activities	(203.7)	(584.5)

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Effect of exchange rate changes on cash	1.9	(2.6)
Increase (decrease) in cash and cash equivalents	97.0	(55.2)
Cash and cash equivalents at beginning of period	132.5	243.5	
Cash and cash equivalents at end of period	\$ 229.5	\$ 188.3	

Supplemental cash flow information:

Cash paid for interest	\$ 315.2	\$ 348.5
Cash paid for income taxes	\$ 27.8	\$ 19.6

Supplemental non-cash information:

On February 28, 2005, HMP contributed the Huntsman International Holdings senior subordinated discount notes at an accreted value of \$422.8 million to Huntsman International in exchange for equity. During the nine months ended September 30, 2006 and 2005, Huntsman Corporation contributed \$13.0 and \$6.4, respectively to Huntsman International related to stock-based compensation.

See accompanying notes to unaudited condensed consolidated financial statements.

**HUNTSMAN CORPORATION AND SUBSIDIARIES
HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

1. General

Certain Definitions

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 formation) are to Huntsman Holdings, LLC and its subsidiaries (including their respective predecessors). In this report, Huntsman International Holdings refers to Huntsman International Holdings LLC (our 100% owned subsidiary that merged into Huntsman International LLC on August 16, 2005) and, unless the context otherwise requires, its subsidiaries; Huntsman International refers to Huntsman International LLC (our 100% owned subsidiary) and, unless the context otherwise requires, its subsidiaries; Huntsman Advanced Materials refers to Huntsman Advanced Materials Holdings LLC (our 100% owned indirect subsidiary, the membership interests of which we contributed to Huntsman International on December 20, 2005) and, unless the context otherwise requires, its subsidiaries; Huntsman LLC refers to Huntsman LLC (our 100% owned subsidiary that merged into Huntsman International on August 16, 2005); HPS refers to Huntsman Polyurethanes Shanghai Ltd. (our consolidated splitting joint venture with Shanghai Chlor-Alkali Chemical Company, Ltd); SLIC refers to Shanghai Isocyanate Investment BV (our unconsolidated manufacturing joint venture with BASF AG and three Chinese chemical companies); HMP refers to HMP Equity Holdings Corporation (our 100% owned subsidiary that merged into us on March 17, 2005); HMP Equity Trust refers to HMP Equity Trust (the holder of approximately 59% of our common stock); and MatlinPatterson refers to MatlinPatterson Global Opportunities Partners L.P., MatlinPatterson Global Opportunities Partners (Bermuda) L.P. and MatlinPatterson Global Opportunities Partners B, L.P. (collectively, an owner of HMP Equity Trust).

Description of Business

We are among the world's largest global manufacturers of differentiated and commodity chemical products. We manufacture a broad range of chemical products and formulations, which we market in more than 100 countries 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 methylene diphenyl diisocyanate (MDI), amines, surfactants, epoxy-based polymer formulations, textile chemicals, dyes, maleic anhydride and titanium dioxide.

Company

We were formed in 2004 to hold, among other things, the equity interests of Huntsman International, Huntsman Advanced Materials and Huntsman LLC. Huntsman International was formed in 1999 to operate businesses acquired in a transaction among Huntsman International Holdings, Huntsman Specialty Chemicals Corporation and Imperial Chemical Industries PLC (ICI).

In February 2005, we completed an initial public offering of common stock and mandatory convertible preferred stock. In connection with our initial public offering, we completed a transaction in which our predecessor, Huntsman Holdings, LLC, became our wholly owned subsidiary, and the existing beneficial holders of the common and preferred members interests of Huntsman Holdings, LLC received shares of our common stock in exchange for their interests (the Reorganization Transaction). Also during 2005, we completed a series of transactions designed to simplify our consolidated group's financing and public reporting structure, to reduce our cost of financing and to facilitate other organizational efficiencies, including the following:

- On August 16, 2005, Huntsman LLC merged into Huntsman International (the Huntsman LLC Merger). At that time, Huntsman International Holdings also merged into Huntsman International (collectively with the Huntsman LLC Merger, the Affiliate Mergers). As a result of the Huntsman LLC Merger, Huntsman International succeeded to the assets, rights and obligations of Huntsman LLC. Huntsman International entered into supplemental indentures under which it assumed the obligations of Huntsman LLC under its outstanding debt securities. The Huntsman International subsidiaries that guarantee Huntsman International's outstanding debt securities now provide guarantees with respect to these securities, and all of Huntsman LLC's subsidiaries that guaranteed its debt securities continue to provide guarantees with respect to these debt securities. In addition, Huntsman LLC's guarantor subsidiaries executed supplemental indentures to guarantee all of Huntsman International's outstanding debt securities.
- On December 20, 2005, we agreed to pay \$125 million to affiliates of SISU Capital Limited and other third parties to acquire the 9.7% of the equity of Huntsman Advanced Materials that we did not already own. In conjunction with this acquisition, we amended our senior secured credit facilities and increased our existing term loan B by \$350 million. We used proceeds from the increased term loan, together with approximately \$74 million of cash on hand, to acquire the equity interest in Huntsman Advanced Materials, to redeem Huntsman Advanced Materials \$250 million of outstanding 11% senior secured notes due 2010, to pay \$35.6 million in call premiums plus accrued interest, and to pay other related costs. We then contributed our 100% ownership interest in Huntsman Advanced Materials to Huntsman International (the Huntsman Advanced Materials Minority Interest Transaction).

As a result of these transactions, we now operate all of our businesses through Huntsman International and substantially all of our debt obligations are obligations of Huntsman International and/or its subsidiaries.

On June 27, 2006, we sold the assets comprising our U.S. butadiene and MTBE business operated by our Base Chemicals segment. On June 30, 2006, we acquired the global textile effects business of Ciba Specialty Chemicals Inc (the Textile Effects Acquisition). On September 27, 2006, we entered into a Sale and Purchase Agreement with SABIC (UK) Petrochemicals Holdings Limited (SABIC) to sell all of our European base chemicals and polymers business. Each of these transactions is consistent with our announced intention to evaluate and potentially dispose of certain of our commodity chemicals businesses and to expand our differentiated chemicals portfolio. For more information concerning these transactions, see Note 3. Discontinued Operations and Note 4. Business Disposition and Combination.

HMP Equity Trust holds approximately 59% of our common stock. Jon M. Huntsman and Peter R. Huntsman control the voting of the shares of our common stock held by HMP Equity Trust. However, the shares of our common stock held by HMP Equity Trust will not be voted in favor of certain fundamental corporate actions without the consent of MatlinPatterson, through its representatives David J. Matlin or Christopher R. Pechock, and Jon M. Huntsman and Peter R. Huntsman have agreed to cause all of the shares of our common stock held by HMP Equity Trust to be voted in favor of the election to our board of directors of two nominees designated by MatlinPatterson.

Accounting for Certain Transactions

The Reorganization Transaction was accounted for as an exchange of shares between entities under common control similar to the pooling method. Our condensed consolidated financial statements (unaudited) presented herein reflect the results of operations and cash flows as if Huntsman Holdings, LLC and our Company were combined for all periods presented.

The Affiliate Mergers and the Huntsman Advanced Materials Minority Interest Transaction were accounted for as an exchange of shares between entities under common control similar to the pooling method. Huntsman International's condensed consolidated financial statements (unaudited) presented herein reflect the results of operations and cash flows as if Huntsman International Holdings, Huntsman LLC, Huntsman Advanced Materials and Huntsman International were combined for all periods presented.

Huntsman Corporation and Huntsman International Financial Statements

Except where otherwise indicated, these notes relate to the condensed consolidated financial statements (unaudited) for each of 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 step-acquisition of Huntsman International Holdings in May 2003;
- HMP debt that was reflected at our Company and that was repaid in 2005; and
- the different capital structures.

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 subsidiaries and any variable interest entities for which we are the primary beneficiary. All intercompany accounts and transactions have been eliminated, except for intercompany sales between discontinued and continuing operations.

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 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, 2005 for each of our Company and Huntsman International.

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 consolidated financial statements for prior periods have been reclassified to conform with the current presentation.

2. Recently Issued Accounting Pronouncements

We adopted Statement of Financial Accounting Standards (SFAS) No. 151, *Inventory Costs - an amendment of ARB No. 43*, on January 1, 2006. SFAS No. 151 requires abnormal amounts of idle facility expense, freight costs, handling costs and wasted material expense to be recognized as current-period charges. It also requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. The adoption of SFAS No. 151 did not have an impact on our consolidated financial statements.

We adopted SFAS No. 154, *Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3*, on January 1, 2006. SFAS No. 154 requires retrospective application to prior periods financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change or unless specific transition provisions are proscribed in the accounting pronouncements. SFAS No. 154 does not change the accounting guidance for reporting a correction of an error in previously issued financial statements or a change in accounting estimate. We will apply this standard prospectively.

In September 2005, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 04-13, *Accounting for Purchase and Sales of Inventory with the Same Counterparty*, that requires companies to recognize an exchange of finished goods for raw materials or work-in-process within the same line of business at fair value. All other exchanges of inventory should be reflected at the carrying amounts. This pronouncement is effective for transactions entered into or modified after March 31, 2006. The adoption of EITF Issue No. 04-13 did not have a significant impact on our consolidated financial statements.

In June 2006, the EITF reached a consensus on Issue No. 06-2, *Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43*, that concludes that an employee s right to a compensated absence under a sabbatical or other similar benefit arrangement accumulates; therefore, such benefits should be accrued over the required service period. This pronouncement is effective for fiscal years beginning after December 15, 2006. The adoption of this pronouncement is not expected to have an impact on our consolidated financial statements.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109 by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation is effective for fiscal years beginning after December 15, 2006. We are reviewing FIN 48 to determine its impact on our consolidated financial statements.

In June 2006, the EITF reached a consensus on Issue 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)*, that concludes that the presentation of taxes within the Issue s scope is an accounting policy decision that should be disclosed. If the taxes are reported on a gross basis, companies are required to disclose the amounts of those taxes if such amounts are deemed significant. This pronouncement is effective for interim and annual reporting periods beginning after December 15, 2006. We are evaluating this pronouncement to determine what disclosures will be required in our financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are reviewing SFAS No. 157 to determine the statement s impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. SFAS No. 158 requires most public companies to recognize the overfunded or underfunded status of their defined benefit postretirement plan(s) (other than multiemployer plans) as an asset or liability in their statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. In addition, effective for fiscal years ending after December 15, 2008, SFAS No. 158 requires a company to measure the funded status of a plan as of the date of its year-end statement of financial position. We will be required to recognize the funded status of our defined benefit pension and other postretirement benefit plans and to provide the required disclosures as of the end of 2006. As of the end of 2008, we will be required to measure the funded status of our plans as of December 31. If we and Huntsman International had adopted SFAS No. 158 as of December 31, 2005, the net increase to the defined benefit pension and other postretirement benefit obligations would have been \$300.6 million and \$366.7 million, respectively. We are reviewing SFAS No. 158 to determine the statement s impact on our 2006 consolidated financial statements.

In September 2006, the Securities and Exchange Commission released Staff Accounting Bulletin 108 (SAB 108) which provides guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 requires entities to quantify the effects of unadjusted errors using both a balance sheet and an income statement approach. Entities are required to evaluate whether either approach results in a quantifying misstatement that is material. SAB 108 is effective for fiscal years ending after November 15, 2006. We are currently evaluating SAB 108 to determine its impact on our consolidated financial statements.

3. Discontinued Operations

European Base Chemicals and Polymers Business

On September 27, 2006, we entered into a Sale and Purchase Agreement with SABIC to sell all of the outstanding equity interests of Huntsman Petrochemicals (UK) Limited for an aggregate purchase price of \$700 million in cash plus the assumption by the purchaser of approximately \$126 million in unfunded pension liabilities. The final purchase price is subject to adjustments relating to working capital, investment in our low density polyethylene (LDPE) plant currently under construction in Wilton, U.K. and unfunded pension liabilities. In connection with this sale, we agreed to take action to remove the accounts receivable of the European base chemicals and polymers business from our accounts receivable securitization program so that the purchaser could acquire all such accounts receivable. These accounts receivable totaled approximately \$92.3 million at September 30, 2006. As a result of this transaction, SABIC will acquire our European base chemicals and polymers business. The transaction will not include our Teesside, U.K.-based Pigments operations or the Wilton, U.K.-based aniline and nitrobenzene operations of our Polyurethanes segment. The transaction is conditioned upon, among other things, receipt of necessary approvals under applicable antitrust laws and other relevant regulations and other customary closing conditions. This transaction is expected to close by the end of 2006. We intend to use the net proceeds from the transaction to redeem in full the remaining \$250 million outstanding principal amount of our 9.875% senior notes due 2009 and to repay a portion of the debt under our senior credit facilities.

Beginning on September 30, 2006, the assets and liabilities of our European base chemicals and polymers business have been classified as held for sale and its results of operations for current and prior periods have been classified as discontinued operations in our financial statements in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The following major classes of assets and liabilities are presented as held for sale in the accompanying September 30, 2006 condensed consolidated balance sheet (unaudited) (dollars in millions):

	Huntsman Corporation	Huntsman International
ASSETS		
Accounts and notes receivable, net	\$ 186.1	\$ 186.1
Inventories, net	187.3	187.3
Other current assets	28.5	28.5
Property, plant and equipment, net	470.9	439.6
Other noncurrent assets	60.5	60.5
Total assets	933.3	902.0
LIABILITIES		
Accounts payable	183.3	183.3
Accrued liabilities	139.9	131.3
Other noncurrent liabilities	74.4	51.7
Total liabilities	397.6	366.3
Net assets	\$ 535.7	\$ 535.7

The following results of our European base chemicals and polymers business have been presented as discontinued operations in the accompanying condensed consolidated statements of operations (unaudited) (dollars in millions):

Huntsman Corporation:

	Three Months Ended September 30, 2006		2005		Nine Months Ended September 30, 2006		2005		
Revenues	\$	711.1	\$	534.0	\$	1,841.1	\$	1,689.4	
Costs and expenses	(678.3	)	(553.7	)	(1,806.1	)	(1,583.2)	
Loss on pending disposal	(280.2	)			(280.2)			
Operating loss	(247.4	)	(19.7	)	(245.2	)	106.2	
Income tax (expense) benefit	(11.2	)	5.8		(10.5	)	(31.9)	
(Loss) income from discontinued operations, net of tax	\$	(258.6)	\$	(13.9)	\$	(255.7)
							\$	74.3	

Huntsman International:

	Three Months Ended September 30, 2006		2005		Nine Months Ended September 30, 2006		2005		
Revenues	\$	711.1	\$	534.0	\$	1,841.1	\$	1,689.4	
Costs and expenses	(678.2	)	(553.7	)	(1,806.0	)	(1,583.2)	
Loss on pending disposal	(260.2	)			(260.2)			
Operating loss	(227.3	)	(19.7	)	(225.1	)	106.2	
Income tax (expense) benefit	(11.3	)	5.8		(10.6	)	(31.9)	
(Loss) income from discontinued operations, net of tax	\$	(238.6)	\$	(13.9)	\$	(235.7)
							\$	74.3	

The loss on pending disposal in 2006 represents the impairment of long-lived assets resulting from the write-down of the European base chemicals and polymers business to the purchase price less cost to sell. The actual loss on disposal may differ from this estimate as we finalize certain tax matters in the U.K. In addition, we expect to incur a pension settlement loss of approximately \$27 million during the first quarter of 2007 and an additional loss on disposal of approximately \$2 million for successful completion bonuses upon closing of the transaction. In connection with this sale, the Compensation Committee of our Board of Directors has authorized the accelerated vesting of certain stock-based compensation awards. Accordingly, we expect to record additional compensation expense of approximately \$1 million during the fourth quarter of 2006. The European base chemicals and polymers business is reported in segment EBITDA of our Base Chemicals operating segment in the accompanying condensed consolidated financial statements (unaudited).

TDI

On July 6, 2005, we sold our toluene di-isocyanate (TDI) business. The sale involved the transfer of our TDI customer list and sales contracts. We discontinued the use of our remaining TDI assets. TDI has been accounted for as a discontinued operation under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Accordingly, the following results of TDI have been presented as discontinued operations in the accompanying condensed consolidated statements of operations (unaudited) (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues	\$	\$ 1.0	\$	\$ 24.4
Costs and expenses	(0.8)	(1.6)	(1.6)	(31.6)
Loss on disposal				(36.4)
Operating loss	(0.8)	(0.6)	(1.6)	(43.6)
Income tax expense				
Loss from discontinued operations, net of tax	\$ (0.8)	\$ (0.6)	\$ (1.6)	\$ (43.6)

We expect to incur approximately \$0.5 million of additional costs related to the TDI transaction through the first quarter of 2007. The TDI business is reported in segment EBITDA of our Polyurethanes segment in our accompanying condensed consolidated financial statements (unaudited).

4. Business Disposition and Combination

Sale of U.S. Butadiene and MTBE Business

On June 27, 2006, we sold the assets comprising our U.S. butadiene and MTBE business operated by our Base Chemicals segment. The total sales price was approximately \$274 million, which includes approximately \$12 million of favorable post-closing working capital adjustments, of which \$192 million was paid to us at closing, \$7.9 million was received in the third quarter of 2006 and \$4.1 million was received in October 2006. The additional \$70 million will be payable to us after the restart of our Port Arthur, Texas olefins unit that was damaged in a fire (see Note 16. Port Arthur, Texas Plant Fire) and the related resumption of crude butadiene supply; provided that we achieve certain intermediate steps toward restarting the plant and the restart occurs within 30 months of this sale. In connection with this sale, we recognized a pre-tax gain of \$90.3 million, of which \$9.5 million was due to the liquidation of LIFO reserves. We expect to recognize an additional pre-tax gain of \$70 million upon completion of the conditions referenced above.

The carrying value of the assets and liabilities sold at June 27, 2006 was as follows (dollars in millions):

ASSETS	
Accounts and notes receivable, net	\$ 80.3
Inventories, net	12.7
Other current assets	2.6
Property, plant and equipment, net	83.2
Other noncurrent assets	2.0
Total assets	180.8
LIABILITIES	
Accounts payable	65.7
Accrued liabilities	0.1
Other noncurrent liabilities	1.3
Total liabilities	67.1
Net assets	\$ 113.7

The results of operations of this business were not classified as a discontinued operation under applicable accounting rules because of the expected continuing cash flows from the MTBE business we continue to operate in our Polyurethanes segment.

In connection with the sale, we agreed to indemnify the buyer with respect to any losses resulting from (i) the breach of representations and warranties contained in the asset purchase agreement, (ii) any pre-sale liabilities related to the pre-sale operations of the assets sold not assumed by the buyer, and (iii) any environmental liability related to the pre-sale operations of the assets sold. We are not required to pay under these indemnification obligations until claims against us exceed \$5 million. Upon exceeding this \$5 million threshold, we generally are obligated to provide indemnification for any losses in excess of \$5 million, up to a limit of \$137.5 million. We believe that there is a remote likelihood that we will be required to pay any material amounts under the indemnity provision. As a result, we have estimated that the fair value of this indemnity at the date of the closing of the sale is minimal, and accordingly, no amounts have been recorded.

Textile Effects Acquisition

On June 30, 2006, we acquired the textile effects business of Ciba Specialty Chemicals Inc. for approximately \$172.1 million (CHF 215 million) in cash, of which \$139.2 million was paid on June 30, 2006 and \$32.9 million was paid on July 3, 2006. This purchase price is subject to finalization of post-closing working capital adjustments, which are currently estimated to be \$21.4 million. We acquired the textile effects business in order to expand our differentiated chemicals business portfolio. The operating results of the textile effects business have been consolidated with our operating results beginning on July 1, 2006 and are reported with our advanced materials operations as part of our Materials and Effects segment.

We have accounted for the Textile Effects Acquisition using the purchase method in accordance with SFAS No. 141, *Business Combinations*. As such, we analyzed the fair value of tangible and intangible assets acquired and liabilities assumed, and we determined the excess of fair value of net assets acquired over cost. Because the fair value of the acquired assets and liabilities assumed exceeded the acquisition price, the valuation of the long-lived assets acquired was reduced to zero in accordance with SFAS No. 141. Accordingly, no basis was assigned to property, plant and equipment or any other non-current assets and the remaining excess was recorded as an extraordinary gain, net of taxes (which were not applicable because the gain was recorded in purchase accounting). The preliminary allocation of the purchase price to the assets and liabilities acquired is summarized as follows (dollars in millions):

	Huntsman Corporation	Huntsman International
Acquisition cost:		
Acquisition payment, exclusive of post-closing working capital adjustment	\$ 172.1	\$ 172.1
Estimated post-closing working capital adjustment	(21.4)	(21.4)
Direct costs of acquisition	8.8	8.8
Total acquisition costs	159.5	159.5
Fair value of assets acquired and liabilities assumed:		
Cash	7.7	7.7
Accounts receivable	250.3	250.3
Inventories	233.6	233.6
Prepaid expenses and other current assets	12.6	12.6
Deferred taxes	7.9	5.3
Accounts payable	(95.8)	(95.8)
Accrued liabilities	(35.3)	(35.3)
Short-term debt	(5.0)	(5.0)
Noncurrent liabilities	(158.8)	(158.9)
Total fair value of net assets acquired	217.2	214.5
Extraordinary gain on the acquisition of a business excess of fair value of net assets acquired over cost	\$ 57.7	\$ 55.0

This purchase price allocation is preliminary pending finalization of the determination of the fair value of assets acquired and liabilities assumed, including final valuation of working capital acquired and pension and other

post-retirement benefits assumed, finalization of restructuring plans, estimates of asset retirement obligations and determination of related deferred taxes. During the third quarter of 2006, we revised our estimates of fair value of working capital, restructuring liabilities and deferred taxes. We are assessing and formulating plans to exit certain activities of the textile effects business and expect to involuntarily terminate the employment of, or relocate, certain textile effects employees. We expect to spend approximately \$150 million over the next three years on capital expenditures and a restructuring program that will see textile effects operations expand significantly in Asia but consolidate in the Americas and in Europe. We estimate that we will eliminate up to 650 positions and will create approximately 300 new positions, globally. These plans include the exit of various manufacturing, sales and administrative activities throughout the business through 2009. This preliminary purchase price allocation includes recorded liabilities for workforce reduction, non-cancelable lease termination costs and demolition, decommissioning and other restructuring costs of \$63.9 million, \$3.4 million, \$1.5 million and \$4.8 million, respectively. We have not yet finalized plans to exit certain business activities and may record additional liabilities for workforce reduction, demolition and non-cancelable lease costs as these plans are finalized. We expect that it is reasonably possible that material changes to the allocation could occur and any changes to our purchase price allocation will be recorded as an adjustment to the extraordinary gain in future periods.

The following tables reflect our and Huntsman International's results of operations on a pro forma basis as if the Textile Effects Acquisition had been completed at the beginning of each period presented utilizing historical results for each entity (dollars in millions, except per share amounts):

Huntsman Corporation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues	\$ 2,686.0	\$ 2,832.9	\$ 8,606.2	\$ 8,899.6
(Loss) income before extraordinary gain and accounting change	(189.5)	(15.4)	111.1	50.0
Net (loss) income	(182.3)	(8.2)	168.8	111.7
Basic (loss) income per share	(0.83)	(0.04)	0.77	0.31
Diluted (loss) income per share	(0.78)	(0.04)	0.72	0.31

Huntsman International:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues	\$ 2,686.0	\$ 2,832.9	\$ 8,606.2	\$ 8,899.6
(Loss) income before extraordinary gain and accounting change	(166.6)	(13.4)	94.4	218.3
Net (loss) income	(157.7)	(4.5)	149.4	277.5

Our pro forma net income (loss) reflects an extraordinary gain on the Textile Effects Acquisition of \$7.2 million for both the three months ended September 30, 2006 and 2005, and \$57.7 million for both the nine months ended September 30, 2006 and 2005. The pro forma net income of Huntsman International reflects an extraordinary gain on the Textile Effects Acquisition of \$8.9 million for both the three months ended September 30, 2006 and 2005, and \$55.0 million for both the nine months ended September 30, 2006 and 2005.

5. Inventories

Inventories consisted of the following (dollars in millions):

	September 30, 2006	December 31, 2005
Raw materials and supplies	\$ 329.7	\$ 374.1
Work in progress	110.4	82.1
Finished goods	1,124.4	988.1
Total	1,564.5	1,444.3
LIFO reserves	(120.5)	(119.7)
Lower of cost or market reserves	(21.8)	(15.4)
Net	\$ 1,422.2	\$ 1,309.2

As of September 30, 2006 and December 31, 2005, approximately 18% and 21%, respectively, of inventories were recorded using the last-in, first-out cost method.

In the normal course of operations, we exchange raw materials with other companies. No gains or losses are recognized on these exchanges and the net open exchange positions are valued at our cost. The amount included in inventory under open exchange agreements receivable by us at September 30, 2006 was \$2.1 million (0.3 million pounds of feedstock and products). The amount included in inventory under open exchange agreements payable by us at December 31, 2005 was \$3.8 million (8.8 million pounds of feedstock and products).

6. Restructuring, Impairment and Plant Closing Costs

While we continuously focus on identifying opportunities to reduce our operating costs and maximize our operating efficiency, we have now substantially implemented our comprehensive global cost reduction program, referred to as Project Coronado. Project Coronado was a program designed to reduce our annual fixed manufacturing and selling, general and administrative costs, as measured at 2002 levels, by \$200 million. In connection with Project Coronado, we announced the closure of eight smaller, less competitive manufacturing units in our Polyurethanes, Materials and Effects, Performance Products and Pigments segments. These and other actions have resulted in the reduction of approximately 1,500 positions in these businesses since 2000.

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As of September 30, 2006 and December 31, 2005, accrued restructuring costs by type of cost and initiative consisted of the following (dollars in millions):

	Workforce reductions(1)	Demolition and decommissioning	Non-cancelable lease costs	Other restructuring costs	Total(3)
Accrued liabilities as of December 31, 2005	\$ 54.2	\$ 5.8	\$ 6.5	\$ 11.8	\$ 78.3
Textile Effects opening balance sheet liabilities at June 30, 2006	63.9	1.5	3.4	4.8	73.6
2006 charges for 2003 initiatives	2.2				2.2
2006 charges for 2004 initiatives	3.1	0.1			3.2
2006 charges for 2005 initiatives	2.1			0.2	2.3
2006 charges for 2006 initiatives	2.1				2.1
Reversal of reserves no longer required (2)	(3.9)	(2.2)	(0.5)		(6.6)
Partial reversal of Advanced Materials opening balance sheet liabilities	(2.5)				(2.5)
2006 payments for 2003 initiatives	(7.1)		(0.3)	(0.2)	(7.6)
2006 payments for 2004 initiatives	(14.2)	(2.1)	(0.6)	(0.2)	(17.1)
2006 payments for 2005 initiatives	(6.9)			(0.9)	(7.8)
2006 payments for 2006 initiatives	(0.2)				(0.2)
Reclassification of net activity in liabilities held for sale	(7.1)				(7.1)
Foreign currency effect on reserve balance	2.6	0.2	0.3	0.1	3.2
Accrued liabilities as of September 30, 2006	\$ 88.3	\$ 3.3	\$ 8.8	\$ 15.6	\$ 116.0

(1) With the exception of liabilities recorded in connection with business combinations, accrued liabilities classified as workforce reductions consist primarily of restructuring programs involving ongoing termination benefit arrangements and restructuring programs involving special termination benefits. Accordingly, the related liabilities were accrued as a one-time charge to earnings in accordance with SFAS No. 112, *Employers Accounting for Postemployment Benefits* and with SFAS No. 88, *Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, respectively. The remaining accrued liabilities related to these charges of \$24.4 million represent workforce reductions to be paid by the end of 2011. Liabilities for workforce reductions recorded in connection with business combinations were accrued in accordance with EITF 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*, and are expected to be paid through 2009. Of the total workforce reduction reserves of \$88.3 million, \$68.2 million relates to 698 positions that have not been terminated as of September 30, 2006.

(2) The reversal of workforce reduction reserves relates to differences between the actual payments made to employees upon termination of such employees positions and the original estimates of termination payments, redeployment of employees whose positions were originally expected to be terminated, changes to applicable laws and regulations and revisions to original estimates based on information currently available.

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

	September 30, 2006	December 31, 2005
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2001 initiatives	\$ 1.4	\$ 1.4
2003 initiatives	18.6	28.4
2004 initiatives	23.9	47.7
2005 initiatives	4.8	11.6
2006 initiatives	74.3	
Foreign currency effect on reserve balance	(7.0)	(10.8)
Total	\$ 116.0	\$ 78.3

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

	Polyurethanes	Materials and Effects	Performance Products	Pigments	Polymers	Base Chemicals	Total
Accrued liabilities as of December 31, 2005	\$ 10.9	\$ 7.8	\$ 25.6	\$ 16.6	\$ 3.4	\$ 14.0	\$ 78.3
Textile Effects opening balance sheet liabilities at June 30, 2006		73.6					73.6
2006 charges for 2003 initiatives		0.2		2.0			2.2
2006 charges for 2004 initiatives	0.1	0.2	0.3	2.6			3.2
2006 charges for 2005 initiatives			1.0	0.2		1.1	2.3
2006 charges for 2006 initiatives		2.1					2.1
Reversal of reserves no longer required	(0.3)	(1.0)	(2.2)	(2.4)	(0.7)		(6.6)
Partial reversal of Advanced Materials opening balance sheet liabilities		(2.5)					(2.5)
2006 payments for 2003 initiatives	(2.1)	(2.0)		(3.5)			(7.6)
2006 payments for 2004 initiatives	(1.1)	(0.6)	(7.8)	(7.3)	(0.3)		(17.1)
2006 payments for 2005 initiatives	(0.3)	(1.0)	(2.2)	(0.3)		(4.0)	(7.8)
2006 payments for 2006 initiatives		(0.2)					(0.2)
Reclassification of net activity in liabilities held for sale						(7.1)	(7.1)
Foreign currency effect on reserve balance	0.6	0.3	1.4	0.9			3.2
Accrued liabilities as of September 30, 2006	\$ 7.8	\$ 76.9	\$ 16.1	\$ 8.8	\$ 2.4	\$ 4.0	\$ 116.0
Current portion of restructuring reserve	\$ 3.2	\$ 31.8	\$ 8.5	\$ 4.8	\$ 2.4	\$ 3.1	\$ 53.8
Long-term portion of restructuring reserve	4.6	45.1	7.6	4.0		0.9	62.2
Estimated additional future charges for current restructuring projects:							
Estimated additional charges within one year	\$	\$ 0.3	\$ 0.1	\$ 1.9	\$ 9.8	\$	\$ 12.1
Estimated additional charges beyond one year			0.1	1.9	17.6		19.6

Details with respect to cash and non-cash restructuring, impairment and plant closing costs by initiative for the nine months ended September 30, 2006 are provided below (dollars in millions):

Cash charges:	
2006 charges for 2003 initiatives	2.2
2006 charges for 2004 initiatives	3.2
2006 charges for 2005 initiatives	2.3

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2006 charges for 2006 initiatives	2.1
Reversal of reserves no longer required	(6.6)
Non-cash charges	16.8
Total Restructuring, Impairment and Plant Closing Costs	\$ 20.0

During the nine months ended September 30, 2006, our Materials and Effects segment reversed \$2.5 million of reserves established in connection with the acquisition of our advanced materials business. This reserve reversal was recorded as a reduction to property, plant and equipment in accordance with EITF 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*. In addition, we recorded \$73.6 million of liabilities for workforce reduction, non-cancelable lease termination costs, demolition and decommissioning costs and other restructuring costs related to the Textile Effects Acquisition. For more information, see Note 4. Business Disposition and Combination Textile Effects Acquisition.

During the nine months ended September 30, 2006, our Polymers segment recorded a non-cash impairment charge of \$5.7 million related to capital expenditures and turnaround costs associated with our Australian styrenics business that was previously impaired. The long-lived assets in this business were determined to be impaired in

accordance with SFAS No. 144 and an impairment charge was recorded in 2005. Capital expenditures and turnaround costs in this business, which are necessary to maintain operations, are also considered to be impaired immediately after they are incurred. Management continues to evaluate the strategic and operational initiatives related to this business. Capital expenditures and turnaround costs related to this business are expected to result in additional restructuring charges of \$27.4 million through 2009.

During the nine months ended September 30, 2006, our Base Chemicals segment recorded a non-cash charge of \$9.4 million to write off fixed assets that were destroyed and unamortized turnaround costs that will no longer be utilized as a result of the fire at our Port Arthur, Texas facility. For more information, see Note 17. Port Arthur, Texas Plant Fire.

7. Debt

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

Huntsman Corporation:

	September 30, 2006	December 31, 2005
Senior Credit Facilities:		
Revolving Facility	\$ 69.0	\$
Term Loans	2,107.4	2,099.3
2010 Secured Notes	293.9	293.6
2009 Senior Notes	252.3	454.7
2011 Senior Floating Rate Notes		100.0
2012 Senior Fixed Rate Notes	198.0	198.0
Subordinated Notes	1,188.6	1,145.2
Australian Credit Facilities	58.8	63.8
HPS (China) debt	64.8	42.6
Other	93.1	60.7
Total debt	\$ 4,325.9	\$ 4,457.9
Current portion	\$ 226.8	\$ 44.6
Long-term portion	4,099.1	4,413.3
Total debt	\$ 4,325.9	\$ 4,457.9

Huntsman International:

	September 30, 2006	December 31, 2005
Senior Credit Facilities:		
Revolving Facility	\$ 69.0	\$
Term Loans	2,107.4	2,099.3
2010 Secured Notes	293.9	293.6
2009 Senior Notes	252.3	454.7
2011 Senior Floating Rate Notes		100.0
2012 Senior Fixed Rate Notes	198.0	198.0
Subordinated Notes	1,188.6	1,145.2
Australian Credit Facilities	58.8	63.8
HPS (China) debt	64.8	42.6
Other	92.9	60.7
Total debt	\$ 4,325.7	\$ 4,457.9
Current portion	\$ 226.6	\$ 44.6
Long-term portion	4,099.1	4,413.3
Total debt	\$ 4,325.7	\$ 4,457.9

Senior Credit Facilities

As of September 30, 2006, our senior secured credit facilities (Senior Credit Facilities) consisted of (i) a \$650 million revolving facility (the Revolving Facility), (ii) a \$1,991.5 million term loan B facility (the Dollar Term Loan), and (iii) a \$91.2 million (\$115.9 million) euro term loan B facility (the Euro Term Loan, and collectively with the Dollar Term Loan, the Term Loans). As of September 30, 2006, there were \$69.0 million borrowings outstanding under the Revolving Facility, and we had \$39.4 million in U.S. dollar equivalents of letters of credit and bank guarantees issued and outstanding under the Revolving Facility.

Transactions Affecting our Debt

On November 13, 2006, we completed an offering of subordinated notes (the New Subordinated Notes Offering) consisting of \$400 million (\$508.0 million) 6.875% euro-denominated notes due 2013 (the 2013 Subordinated Notes) and \$200 million 7.875% U.S. dollar-denominated notes due 2014 (the 2014 Subordinated Notes and, collectively with the 2013 Subordinated Notes, the New Subordinated Notes). We intend to use the estimated net proceeds of approximately \$699 million to redeem all (approximately \$366 million) of our outstanding U.S. dollar-denominated 10.125% senior subordinated notes due 2009 and a portion (approximately \$258 million) of our outstanding euro-denominated 10.125% senior subordinated notes due 2009 (collectively, the 2009 Subordinated Notes). The call price of the 2009 Subordinated notes is 101.688% plus accrued interest.

The 2013 Subordinated Notes are redeemable on or after November 15, 2009 at 105.156%, declining ratably to par on or after November 15, 2012. The 2014 Subordinated Notes are redeemable on or after November 15, 2010 at 103.938%, declining ratably to par on or after November 15, 2012. The New Subordinated Notes are unsecured and interest is payable semiannually on November 15 and May 15 of each year. The indentures governing the New Subordinated Notes contain covenants relating to, among other things, the incurrence of debt, limitations on asset sales, limitations on distributions and limitations on affiliate transactions. The indentures also contain change of control provisions requiring us to offer to repurchase the New Subordinated Notes upon a change of control. The New Subordinated Notes are guaranteed by the same guarantors as our outstanding notes.

Under the terms of a registration rights agreement among Huntsman International, the subsidiary guarantors and the initial purchasers of our \$175.0 million 7.375% senior subordinated notes due 2015 and our \$135.0 million (\$171.5 million) 7.5% senior subordinated notes due 2015 (collectively, the 2015 Subordinated Notes and, together with the 2009 Subordinated Notes, the Subordinated Notes), we were required to complete an exchange offer for the 2015 Subordinated Notes on or before September 11, 2005. Because we did not complete the exchange offer by this date, we were required to pay additional interest on the 2015 Subordinated Notes at a rate of 0.25% per year for the first 90-day period following

this date, and this rate increased by an additional 0.25% for each subsequent 90-day period, up to a maximum of 1.0%. As of September 30, 2006, we were paying an additional 1.0% on the 2015 Subordinated Notes and had paid a total of \$2.4 million in additional interest. Additional interest will cease to accrue upon the earlier of the completion of the exchange offer or December 17, 2006. Since we are not able to complete the exchange offer before this date, we have withdrawn the registration statement relating to the exchange offer.

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On August 1, 2006, we made a voluntary repayment of \$50.0 million U.S. dollar equivalents on our Term Loans (\$47.3 million on the Dollar Term Loan and 2.2 million on the Euro Term Loan) with available liquidity.

On July 13, 2006, we entered into a transaction to repurchase \$37.5 million of our 9.875% senior notes due 2009 (the 2009 Senior Notes) at a price of 105.0% of the aggregate principal amount thereof. In addition, on August 14, 2006, and on September 20, 2006 we completed redemptions of \$62.5 million and \$100 million, respectively, of the 2009 Senior Notes at a call price of 104.937% plus accrued interest. Following this repurchase and partial redemption, we have \$250 million aggregate principal amount outstanding (\$252.3 million book value) of the 2009 Senior Notes. We funded these redemptions from available liquidity including from cash, borrowings under our Revolving Facility and issuance of commercial paper under our off balance sheet accounts receivable securitization program.

On June 30, 2006, we entered into an amendment to our Senior Credit Facilities to provide for an additional \$100 million of borrowings under the Dollar Term Loan on the same terms as our then-existing Dollar Term Loan (the June 30, 2006 Amendment). We borrowed the additional amounts under the Dollar Term Loan on July 14, 2006 and, on July 24, 2006, used the proceeds to redeem all of our \$100 million outstanding senior floating rate notes due 2011 at a call price of 104.0% of the aggregate principal amount thereof. The June 30, 2006 Amendment also modified certain other provisions in our Senior Credit Facilities, including certain financial covenants.

Compliance with Covenants

Our management believes that we are in compliance with the covenants contained in the agreements governing the Senior Credit Facilities, the A/R Securitization Program (as defined in Note 9. Securitization of Accounts Receivable) and the indentures governing our notes.

8. Derivative Instruments and Hedging Activities

As of September 30, 2006 and December 31, 2005, and for the nine months ended September 30, 2006 and 2005, the fair value, change in fair value, and realized gains or losses of outstanding hedging contracts were not significant.

We may enter into foreign currency derivative instruments to minimize the short-term impact of movements in foreign currency rates. During the quarter ended September 30, 2006, we entered into foreign currency instruments to minimize the foreign currency impact on forecasted capital expenditures payable in Singapore Dollars associated with the construction of our polyetheramine manufacturing facility in Singapore. The notional amount of these derivative instruments is approximately 25 million of Singapore Dollars, and these instruments extend through April of 2007. These contracts are not designated as hedges for financial reporting purposes and are recorded at fair value.

9. Securitization of Accounts Receivable

Under our accounts receivable securitization program (A/R Securitization Program), we grant an undivided interest in certain of our trade receivables to a qualified off-balance sheet entity (the Receivables Trust) at a discount. This undivided interest serves as security for the issuance by the Receivables Trust of commercial paper. The A/R Securitization Program currently provides for financing through a commercial paper conduit program (in both U.S. dollars and euros). On April 18, 2006, the A/R Securitization Program was amended to expand the size of the commercial paper conduit program to a committed amount of approximately \$500 million U.S. dollar equivalents for three years. Interest costs to the Receivables Trust on amounts drawn under the commercial paper conduit are LIBOR and/or EUROBOR, as applicable, plus 60 basis points per annum based upon a pricing grid (which is dependent upon our credit rating). Transfers of accounts receivable to the Receivables Trust continue to be accounted for as sales under the amended A/R Securitization Program.

As of September 30, 2006, the Receivables Trust had approximately \$233 million and approximately 205 million (\$260.5 million) in commercial paper outstanding.

10. Employee Benefit Plans

Components of the net periodic benefit costs from continuing operations for the three and nine months ended September 30, 2006 and 2005 were as follows (dollars in millions):

Huntsman Corporation:

	Defined Benefit Plans Three Months Ended September 30,		Other Postretirement Benefit Plans Three Months Ended September 30,	
	2006	2005	2006	2005
Service cost	\$ 16.6	\$ 15.8	\$ 1.1	\$ 1.2
Interest cost	27.9	28.1	2.3	2.0
Expected return on assets	(32.8)	(32.4)		
Amortization of transition obligation	0.4	0.7		
Amortization of prior service cost	(1.7)	(1.0)	(0.7)	(0.5)
Amortization of actuarial loss	3.8	7.5	0.8	0.9
Settlement loss	0.4			
Net periodic benefit cost	\$ 14.6	\$ 18.7	\$ 3.5	\$ 3.6

	Defined Benefit Plans Nine Months Ended September 30,		Other Postretirement Benefit Plans Nine Months Ended September 30,	
	2006	2005	2006	2005
Service cost	\$ 49.9	\$ 47.6	\$ 3.3	\$ 2.8
Interest cost	83.6	82.1	6.9	5.8
Expected return on assets	(98.5)	(91.9)		
Amortization of transition obligation	1.2	1.3		
Amortization of prior service cost	(5.1)	(4.0)	(2.1)	(1.5)
Amortization of actuarial loss	11.4	19.8	2.4	2.7
Settlement loss	1.2			
Net periodic benefit cost	\$ 43.7	\$ 54.9	\$ 10.5	\$ 9.8

Huntsman International:

	Defined Benefit Plans Three Months Ended September 30,		Other Postretirement Benefit Plans Three Months Ended September 30,	
	2006	2005	2006	2005
Service cost	\$ 16.6	\$ 15.8	\$ 1.1	\$ 1.2
Interest cost	27.9	28.1	2.3	2.0
Expected return on assets	(32.8)	(32.4)		
Amortization of transition obligation	0.4	0.7		
Amortization of prior service cost	(1.7)	(1.0)	(0.7)	(0.5)
Amortization of actuarial loss	5.7	7.8	0.8	0.9
Settlement loss	0.4			
Net periodic benefit cost	\$ 16.5	\$ 19.0	\$ 3.5	\$ 3.6

	Defined Benefit Plans Nine Months Ended September 30,		Other Postretirement Benefit Plans Nine Months Ended September 30,	
	2006	2005	2006	2005
Service cost	\$ 49.9	\$ 47.6	\$ 3.3	\$ 2.8
Interest cost	83.6	82.1	6.9	5.8
Expected return on assets	(98.5)	(91.9)		
Amortization of transition obligation	1.2	1.3		
Amortization of prior service cost	(5.1)	(4.0)	(2.1)	(1.5)
Amortization of actuarial loss	17.1	20.1	2.4	2.7
Settlement loss	1.2			
Net periodic benefit cost	\$ 49.4	\$ 55.2	\$ 10.5	\$ 9.8

During the nine months ended September 30, 2006 and 2005, we made contributions to our pension plans of \$93.0 million and \$44.7 million, respectively. During the remainder of 2006, we expect to contribute an additional \$22.0 million to our pension plans, excluding the pension plans acquired in connection with the Textile Effects Acquisition.

In 2005, we changed the measurement date of our pension and postretirement benefit plans from December 31 to November 30. We believe the one-month change of the measurement date is preferable because it provides us

more time to review the completeness and accuracy of the actuarial benefit information which results in an improvement in our internal control procedures. The effect of the change in measurement date on the respective obligations and assets of the plan resulted in a cumulative effect of change in accounting principle credit for us and Huntsman International of \$4.0 million (\$0.02 per diluted share) and \$4.2 million, net of tax of \$1.9 million and \$1.5 million, respectively. As of the end of 2008, we will be required to change the measurement date of our plans to December 31 pursuant to SFAS No. 158.

As part of the June 30, 2006 Textile Effects Acquisition (see Note 4. Business Disposition and Combination Textile Effects Acquisition), we assumed unfunded pension and other post-employment liabilities for pension and benefit plans in a number of countries. In addition, in certain jurisdictions assets and liabilities relating to funded pension plans have also been transferred and assumed by us. The funded plans are a mix of defined benefit and defined contribution plans.

11. Dividends on 5% Mandatory Convertible Preferred Stock

In connection with the initial public offering of our 5% mandatory convertible preferred stock on February 16, 2005, we declared all dividends that will be payable on such preferred stock from the issuance through the mandatory conversion date, which is February 16, 2008. Accordingly, we recorded dividends payable of \$43.1 million and a corresponding charge to net income available to common stockholders during the first quarter of 2005. As of September 30, 2006, we had \$21.0 million invested in government securities that are restricted for satisfaction of our dividend payment obligations through the mandatory conversion date. We expect to pay dividends in cash on February 16, May 16, August 16 and November 16 of each year prior to February 16, 2008. Under certain circumstances, we may not be permitted to pay dividends in cash. If this were to occur, any unpaid dividend would be payable in shares of common stock on February 16, 2008 based on the market value of the common stock at that time.

12. 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		Other comprehensive income (loss) Nine Months Ended	
	September 30, 2006	December 31, 2005	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Foreign currency translation adjustments, net of tax of \$31.8 million and \$31.8 million as of September 30, 2006 and December 31, 2005, respectively	\$ 195.6	\$ 62.4	\$ 56.5	\$ (24.8)	\$ 133.2	\$ (179.6)
Minimum pension liability, net of tax of \$32.2 million and \$30.0 million as of September 30, 2006 and December 31, 2005, respectively	(99.6)	(102.1)			2.5	(5.0)
Other comprehensive income of unconsolidated affiliates	7.3	7.3				
Other	3.4	1.1	1.2	(0.6)	2.3	7.6
Total	\$ 106.7	\$ (31.3)	\$ 57.7	\$ (25.4)	\$ 138.0	\$ (177.0)

Huntsman International:

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	Accumulated other comprehensive income (loss)		Other comprehensive income (loss) Three Months Ended		Other comprehensive income (loss) Nine Months Ended	
	September 30, 2006	December 31, 2005	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Foreign currency translation adjustments, net of tax of \$16.0 million and \$0.2 million as of September 30, 2006 and December 31, 2005, respectively	\$ 216.2	\$ 69.9	\$ 58.5	\$ (28.7)	\$ 146.3	\$ (192.6)
Minimum pension liability, net of tax of \$46.5 million and \$45.4 million as of September 30, 2006 and December 31, 2005, respectively	(150.8)	(153.3)			2.5	(5.0)
Other comprehensive income of unconsolidated affiliates	7.3	7.3				
Other	0.3	(2.2)	1.3	4.4	2.5	18.1
Total	\$ 73.0	\$ (78.3)	\$ 59.8	\$ (24.3)	\$ 151.3	\$ (179.5)

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 that have been recorded.

13. Commitments and Contingencies

Legal Matters

Discoloration Claims

Certain claims have been filed against us relating to discoloration of unplasticized polyvinyl chloride products allegedly caused by our titanium dioxide (Discoloration Claims). Substantially all of the titanium dioxide that is the subject of these claims was manufactured prior to our acquisition of our titanium dioxide business from ICI in 1999. Net of amounts we have received from insurers and pursuant to contracts of indemnity, we have paid an aggregate of approximately \$16 million in costs and settlement amounts for Discoloration Claims through September 30, 2006.

The following table presents information about the number of Discoloration Claims for the periods indicated. Claims include all claims for which service has been received by us, and each such claim represents a plaintiff who is pursuing a claim against us.

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Claims unresolved at beginning of period	2	3
Claims filed during period		
Claims resolved during period		1
Claims unresolved at end of period	2	2

During the nine months ended September 30, 2005, we settled a claim for approximately \$0.9 million, all of which was paid by ICI. The two Discoloration Claims unresolved as of September 30, 2006 asserted aggregate damages of approximately \$67 million. An appropriate liability has been accrued for these claims. Based on our understanding of the merits of these claims and our rights under contracts of indemnity and insurance, we do not believe that the net impact on our financial condition, results of operations or liquidity will be material.

While additional Discoloration Claims may be made in the future, we cannot reasonably estimate the amount of loss related to such claims. Although we may incur additional costs as a result of future claims (including settlement costs), based on our history with Discoloration Claims to date, the fact that substantially all of the titanium dioxide that has been the subject of these Discoloration Claims was manufactured and sold more than six years ago, and the fact that we have rights under contract to indemnity, including from ICI, we do not believe that any unasserted Discoloration Claims will have a material impact on our financial condition, results of operations, or liquidity. Based on this conclusion and our inability to reasonably estimate our expected costs with respect to these unasserted claims, we have made no accruals in our financial statements as of September 30, 2006 for costs associated with unasserted Discoloration Claims.

Asbestos Litigation

We have been named as a premises defendant in a number of asbestos exposure cases, typically a claim by a non-employee 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 complaint has 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. Recent changes in Texas tort procedures have required many pending cases to be split into

multiple cases, one for each claimant, increasing the number of pending cases reported below for the nine months ended September 30, 2006. Nevertheless, the complaints in these cases provide little additional information. We do not believe that the increased number of cases resulting from the changes in Texas tort procedure reflects an increase in the number of underlying claims.

Where the 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. 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 twelve-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.

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Unresolved at beginning of period	576	398
Tendered during period	990	107
Resolved during period (1)	170	67
Unresolved at end of period	1,396	438

(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 multiple 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 September 30, 2006, we had an accrued liability of \$12.5 million relating to these cases and a corresponding receivable of \$12.5 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 September 30, 2006.

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 these cases. Cases include all cases for which service has been received by us.

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Unresolved at beginning of period	34	29
Filed during period	18	47
Resolved during period	9	8
Unresolved at end of period	43	68

We paid gross settlement costs for asbestos exposure cases that are not subject to indemnification of approximately \$10,000 and \$20,000 during the nine months ended September 30, 2006 and 2005, respectively. As of September 30, 2006, we had an accrual of approximately \$0.6 million 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 September 30, 2006.

Antitrust Matters

We have been named as a defendant in putative class action antitrust suits alleging a conspiracy to fix prices in the MDI, TDI, and polyether polyols industries that are now 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, United States District Court, District of Kansas, initial order transferring and consolidating cases filed August 23, 2004. Other defendants named in the Polyether Polyols cases are Bayer, BASF, Dow and Lyondell. Bayer has entered into a settlement agreement with the plaintiffs that has been approved by the court. Class certification discovery is underway in these consolidated cases.

We have also been named as a defendant in putative class action antitrust suits alleging a conspiracy to fix prices in the MDI, TDI, and polyether polyols industries filed in the Superior Court of Justice, Ontario, Canada on May 5, 2006 and in Superior Court, Quebec, Canada on May 17, 2006. The other defendants named above in the Polyether Polyols cases are also defendants in these Canadian cases.

The pleadings of the plaintiffs in these antitrust suits provide few specifics about any alleged illegal conduct of the defendants, and we are not aware of any evidence of illegal conduct by us or any of our employees. For these reasons, we cannot estimate the possible 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.

In addition, on February 16, 2006, the Antitrust Division of the U.S. Department of Justice served us with a grand jury subpoena requesting production of documents relating to the businesses of TDI, MDI, polyether polyols and related systems. The other defendants in the Polyether Polyols cases have confirmed that they have also been served with subpoenas in this matter. We are cooperating fully with the investigation.

Tax Dispute

In connection with the audit of our income tax returns for the years ended 1998 through 2001, we received a Notice of Proposed Adjustment from the Internal Revenue Service. We are in the process of an administrative appeal before the Internal Revenue Service, which we initiated in 2005. The potential liability and the potential reduction to our net operating losses have been reserved in our financial statements.

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. For more information, see Note 14. Environmental, Health and Safety Matters Remediation Liabilities for a discussion of environmental remediation liabilities.

14. 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 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 environmental, health and safety (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 nine months ended September 30, 2006 and 2005, our capital expenditures for EHS matters totaled \$29.3 million and \$24.2 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. Specifically, under the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (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. In addition, under the U.S. Resource Conservation and Recovery Act of 1976, as amended (RCRA), and similar state laws, we may be required to remediate contamination originating from our properties as a condition to our hazardous waste permit. For example, our Odessa, Port Arthur and Port Neches facilities in Texas are the subject of ongoing remediation requirements under RCRA authority. In many cases, our potential liability arising from historical contamination is based on operations and other events occurring prior to our ownership of the relevant 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 or that our existing indemnities will be sufficient to cover our liabilities for such matters.

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 and surface water contamination from past operations at some of our sites, and we may find contamination at other sites in the future. 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.

We have been notified by third parties of claims against us or our subsidiaries for cleanup liabilities at approximately 12 former facilities and third party sites, including but not limited to sites listed under CERCLA. Based on current information and past experience at other CERCLA sites, we do not expect any of these third party claims to result in a material liability to us.

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 based upon available facts, existing technology and past experience. The environmental liabilities do not include amounts recorded as asset retirement obligations. We have accrued approximately \$15 million and \$25 million for environmental liabilities as of September 30, 2006 and December 31, 2005, respectively. Of these amounts, approximately \$7 million and \$7 million are classified as accrued liabilities on our condensed consolidated balance sheets (unaudited) as of September 30, 2006 and December 31, 2005, respectively, and approximately \$8 million and \$18 million are classified as other noncurrent liabilities on our condensed consolidated balance sheets (unaudited) as of September 30, 2006 and December 31, 2005, respectively. In certain cases, our remediation liabilities are 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

Under the European Union (EU) Integrated Pollution Prevention and Control Directive (IPPC), EU member governments are to adopt rules and implement a cross media (air, water and waste) environmental permitting program for individual facilities. While the EU countries are at varying stages in their respective implementation of the IPPC permit program, we have submitted all necessary IPPC permit applications required to date, and in some cases received completed permits from the applicable government agency. We expect to submit all other IPPC applications and related documents on a timely basis as the various countries implement the IPPC permit program. Although we do not know with certainty what each IPPC permit will require, we believe, based upon our experience with the permits received to date, that the costs of compliance with the IPPC permit program will not be material to our financial condition, results of operations or cash flows.

In October 2003, the European Commission (EC) adopted a proposal for a new EU regulatory framework for chemicals. Under this proposed new regulation called REACH (Registration, Evaluation and Authorization of Chemicals), companies that manufacture or import more than one ton of a chemical substance per year would be required to register such manufacture or import in a central database; isolated intermediates would also need to be registered. Where warranted by a risk assessment, specified uses of some hazardous substances may be restricted. Additionally, the use of substances with specific hazards would require an authorization limited in time, pending their substitution. The REACH regulatory framework is expected to become law in early 2007. As currently envisioned, REACH would take effect in three primary stages over eleven years following the final effective date. The

registration, evaluation and authorization phases would require expenditures and resource commitments in order to, for example, develop information technology tools, generate data, prepare and submit dossiers for substance registration, participate in consortia, 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 manufactured or imported by us into the European Union. We expect to incur costs of up to \$5 million for REACH compliance in 2007.

On October 13, 2006, the President signed into law the Security and Accountability for Every Port Act (SAFE), a **comprehensive port and chemical plant security bill**. **At this time, we do not** know what the financial implications of the new law will be for our operations. We have conducted security vulnerability assessments at a number of our sites and have pursued, or are pursuing, action items arising from these assessments. Until the implementing regulations are promulgated by the Department of Homeland Security and we have had a chance to evaluate them, the future financial impact of SAFE is uncertain.

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. Existing or future 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 may be substantially curtailed or eliminated in the future by legislation or regulatory action. For example, about 25 states, including California, New York and Connecticut, have adopted rules that prohibit or restrict the use of MTBE in gasoline sold in those states.

In addition, the Energy Policy Act of 2005 has substantially curtailed the market for MTBE in the U.S. by mandating increased use of renewable fuels and eliminating the oxygenate requirement for reformulated gasoline established by the 1990 Clean Air Act Amendments. As a result, the U.S. Environmental Protection Agency announced that, starting in May 2006, it would no longer specify the oxygen content for clean-burning gasoline in smog-afflicted areas, easing air pollution regulations that had resulted in MTBE being added to fuel sold in those areas.

As a result of these developments, we currently market, either directly or through third parties, MTBE to customers located outside the U.S. for use as a gasoline additive, which may produce a lower level of cash flow than the sale of MTBE in the U.S. We may also elect to use all or a portion of our precursor TBA 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 the sale of MTBE.

A number of lawsuits have been filed, primarily against gasoline manufacturers, marketers and distributors, by persons seeking to recover damages allegedly arising from the presence of MTBE in groundwater. While we have not been named as a defendant in any litigation concerning the environmental effects of MTBE, we cannot provide assurances that we will not be involved in any such litigation or that such litigation will not have a material adverse effect on our business, results of operations and financial condition. However, because we are not able to estimate the amount or range of losses that would be associated with such litigation, we have made no accruals with respect to unasserted claims concerning the environmental effects of MTBE as of September 30, 2006.

15. Other Operating (Income) Expense

Other operating (income) expense consisted of the following (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
(Gain) loss on sale of business/assets	\$	\$	\$ (92.4)	\$ 3.6
Foreign exchange (gains) losses	(12.7)	(2.9)	(7.7)	23.9
Bad debts	2.2	6.0	3.5	12.2
Property loss recoveries	(12.5)		(21.3)	
Other, net	(5.6)	4.4	(4.9)	2.3
Total other operating (income) expense	\$ (28.6)	\$ 7.5	\$ (122.8)	\$ 42.0

16. Stock-Based Compensation Plans

Under the Huntsman Stock Incentive Plan (the "Stock Incentive Plan"), a plan approved by stockholders, we may grant non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, phantom stock, performance awards and other stock-based awards to our employees and directors and to employees and directors of our subsidiaries, provided that incentive stock options may be granted solely to employees. The terms of the grants are fixed at the grant date. As of September 30, 2006, we were authorized to grant up to 21,590,909 shares under the Stock Incentive Plan. Option awards have a maximum contractual term of 10 years and generally must have an exercise price at least equal to the market price of our common stock on the date the option award is granted. Stock-based awards generally vest over a three-year period.

The compensation cost for the Stock Incentive Plan was \$4.8 million and \$2.6 million for the three months ended September 30, 2006 and 2005, respectively, and \$13.0 million and \$6.4 million for the nine months ended September 30, 2006 and 2005, respectively. The total income tax benefit recognized in the statement of operations for stock-based compensation arrangements was nil for each of the three and nine months ended September 30, 2006 and 2005.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes valuation model that uses the assumptions noted in the following table. Because we only became a publicly-held company in February 2005, we based our assumption of expected volatility on implied volatilities from the stock of comparable companies. The expected term of options granted is estimated based on the contractual term of the instruments and employees' expected exercise and post-vesting employment termination behavior. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Dividend yield	0 %	N/A	0 %	0 %
Expected volatility	23.1 %	N/A	23.1 %	22.4 %
Risk-free interest rate	4.9 %	N/A	4.6 %	3.9 %
Expected life of stock options granted during the period	6.6 years	N/A	6.6 years	6.6 years

Stock Options

A summary of stock option activity under the Stock Incentive Plan as of September 30, 2006 and changes during the nine months then ended is presented below:

	Shares (000)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (\$000)
Outstanding at January 1, 2006	2,579	\$ 22.56		
Granted	1,687	20.46		
Exercised				
Forfeited	(84)	21.75		
Outstanding at September 30, 2006	4,182	21.73	8.84	\$ 21
Exercisable at September 30, 2006	760	22.99	8.37	

The weighted-average grant-date fair value of stock options granted during the nine months ended September 30, 2006 was \$7.27 per option. As of September 30, 2006, there was \$18.7 million of total unrecognized compensation cost related to nonvested stock option arrangements granted under the Stock Incentive Plan. That cost is expected to be recognized over a weighted-average period of approximately 1.8 years. No option awards were exercised during the nine months ended September 30, 2006 or 2005.

Nonvested shares

Nonvested shares granted under the Stock Incentive Plan consist of restricted stock, which is accounted for as an equity award, and phantom stock, which is accounted for as a liability award because it can be settled in either stock or cash. A summary of the status of our nonvested shares as of September 30, 2006 and changes during the nine months then ended is presented below:

	Equity Awards		Liability Awards	
	Shares (000)	Weighted Average Grant Date Fair Value	Shares (000)	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2006	737	\$ 22.99	33	\$ 23.00
Granted	467	20.46	24	20.50
Vested	(246)	22.99	(11)	23.00
Forfeited	(9)	23.00		
Nonvested at September 30, 2006	949	21.75	46	21.72

As of September 30, 2006, there was \$15.6 million of total unrecognized compensation cost related to nonvested share compensation arrangements granted under the Stock Incentive Plan. That cost is expected to be recognized over a weighted-average period of approximately 1.9 years. The total fair value of shares that vested during the nine months ended September 30, 2006 and 2005 was \$5.9 million and nil, respectively.

17. Port Arthur, Texas Plant Fire

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On April 29, 2006, our Port Arthur, Texas olefins manufacturing plant experienced a major fire. With the exception of cyclohexane operations at the site which were restarted on June 9, 2006, the remaining operations at the site remain shutdown. The damage is significant and, while no assurances can be made, preliminary indications are that we would expect to restart the unit late in the second quarter of 2007. None of our other Jefferson County, Texas manufacturing sites were damaged. During the second and third quarters of 2006, we recognized a net loss due to the fire totaling \$10.0 million (after recording probable insurance recoveries of \$31.4 million) for certain fixed costs incurred during the business interruption period, the write-off of damaged assets and costs to respond and clean up the facility after the fire, \$9.4 million of which was recorded as an impairment charge and \$0.6 million of which was recorded as cost of sales in the

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accompanying condensed consolidated statements of operations (unaudited). As noted above, as of September 30, 2006, we have recorded a receivable of \$31.4 million for probable insurance recoveries that has been recorded as an offset to the expenses already incurred and recorded in the statement of operations, of which \$20.7 million represents fixed costs incurred subsequent to the business interruption deductible period.

The Port Arthur facility, also known as the Light Olefins Unit, is part of our Base Chemicals segment and has an annual production capacity of 1.4 billion pounds of ethylene, or about 30% of our global ethylene capacity. It also has an annual capacity of 800 million pounds of propylene, 680 million pounds of cyclohexane and 460 million pounds of benzene.

We carry normal and customary insurance coverage for property damage and business interruption. With respect to coverage for this outage, the deductible for property damage is \$10 million, while business interruption coverage does not apply for the first 60 days. Insurance recoveries will be accounted for as gain contingencies in accordance with SFAS No. 5, *Accounting for Contingencies*, and therefore will not be recorded and recognized in income until earned and realized.

18. Income Taxes

We use the asset and liability method of accounting for income taxes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial and tax reporting purposes. We evaluate deferred tax assets to determine whether it is more likely than not that they will be realized. Valuation allowances have been established against a material portion of the net deferred tax assets due to the uncertainty of realization. Valuation allowances are reviewed each period on a tax jurisdiction by jurisdiction basis to analyze whether there is sufficient positive or negative evidence to support a change in judgment about the realizability of the related deferred tax assets.

Huntsman Corporation

We recorded an income tax benefit of \$17.4 million for the three months ended September 30, 2006 and an expense of \$16.0 million for the nine months ended September 30, 2006, and expense of \$13.5 million and \$36.9 million for the same periods in 2005, respectively. Our tax obligations are affected by the mix of income and losses in the tax jurisdictions in which we operate.

Our effective income tax rates were (33)% and 4% for the three and nine months ended September 30, 2006, respectively, and not meaningful for the three and nine months ended September 30, 2005. During the three months ended September 30, 2006, we recognized \$22.4 million of tax benefits related to the release of certain U.K. tax contingencies and the release of certain valuation allowances in the U.K. The release of the U.K. tax contingency was in response to a favorable court decision rendered during the quarter to an unrelated company. The release of the valuation allowance in the U.K. resulted from the evaluation of our deferred tax assets occasioned by the contract to sell our European base chemicals and polymers business to SABIC. The cumulative pre-tax earnings of our European polyurethanes business combined with the impact of the sale of our U.K. petrochemical business generated sufficient positive evidence to support a change in judgment about the realizability of certain deferred tax assets in the U.K. Excluding the net (charges) benefits of \$(14.4) million and \$75.3 million related to the gain on the sale of our U.S. butadiene and MTBE business, the loss due to the fire at our Port Arthur, Texas plant, a property loss recovery, and loss on the early extinguishment of debt, our effective income tax rates would have been (27)% for the three months and 4% for the nine months ended September 30, 2006, respectively. After further excluding the \$22.4 million of tax benefits, our effective income tax rates would have been 6% for the three months and 12% for the nine months ended September 30, 2006, respectively. Excluding the net charges of \$88 million and \$323 million in 2005 for loss on early extinguishment of debt and a write-down of assets, which are not benefited for tax purposes because of valuation allowances on net deferred tax assets, our effective income tax rates would have been 11% and 15% for the three and nine months ended September 30, 2005, respectively. These effective tax rates, for 2006 and 2005, are lower than the U.S. statutory rate of 35% primarily due to our mix of earnings in tax jurisdictions where no tax expense is provided due to the release of valuation allowances, earnings in tax jurisdictions with lower statutory rates, and tax benefits recognized during the quarter as discussed above.

Huntsman International

We recorded an income tax benefit of \$21.3 million for the three months ended September 30, 2006 and an expense of \$58.2 million for the nine months ended September 30, 2006, and expense of \$12.0 million and \$42.9 million for the same periods in 2005, respectively. Our tax obligations are affected by the mix of income and losses in the tax jurisdictions in which we operate.

Our effective income tax rates were (41)% and 16% for the three and nine months ended September 30, 2006, respectively, and not meaningful and 20% for the three and nine months ended September 30, 2005, respectively. During the three months ended September 30, 2006, we recognized \$22.4 million of tax benefits related to the release of certain U.K. tax contingencies and the release of certain valuation allowances in the U.K. The release of the U.K. tax contingency was in response to a favorable court decision rendered during the quarter to an unrelated company. The release of the valuation allowance in the U.K. resulted from the evaluation of our deferred tax assets occasioned by the contract to sell our European base chemicals and polymers business to SABIC. The cumulative pre-tax earnings of our European polyurethanes business combined with the impact of the sale of our U.K. petrochemical business generated sufficient positive evidence to support a change in judgment about the realizability of certain deferred tax assets in the U.K. Excluding the net benefits (charges) of \$(18.1) million and \$71.6 million related to the gain on the sale of our U.S. butadiene and MTBE business, the loss due to the fire at our Port Arthur, Texas plant, a property loss recovery, and loss on the early extinguishment of debt, our effective income tax rates would have been (21)% and 12% for the three and nine months ended September 30, 2006, respectively. After further excluding the \$22.4 million of tax benefits, our effective income tax rates would have been 11% for the three months and 20% for the nine months ended September 30, 2006, respectively. Excluding the net charges of \$91.8 million and \$167.8 million in 2005 for loss on early extinguishment of debt and a write-down of assets, which are not benefited for tax purposes because of valuation allowances on net deferred tax assets, our effective income tax rates would have been 13% and 11% for the three and nine months ended September 30, 2005, respectively. These effective tax rates are lower than the U.S. statutory rate of 35% primarily due to our mix of earnings in tax jurisdictions where no tax expense is provided due to the release of valuation allowances, earnings in tax jurisdictions with lower statutory rates, and tax benefits recognized during the quarter as discussed above.

Additionally, on August 16, 2005, we completed the Affiliate Mergers. Prior to the Affiliate Mergers, Huntsman International Holdings, including Huntsman International, was treated as a partnership for U.S. federal income tax purposes and as such was generally not subject to U.S. income tax, but rather such income was taxed directly to its owners. After the Affiliate Mergers, Huntsman International is treated as a corporate subsidiary and is subject to U.S. income tax. Therefore, tax expense for the periods ended September 30, 2006 and September 30, 2005 are not comparable.

19. Net Income (Loss) per Share

Basic income (loss) per share excludes dilution and is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares outstanding during the period. Diluted income (loss) per share reflects potential dilution and is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares outstanding during the period, increased by the number of additional shares that would have been outstanding if the potential dilutive units had been exercised or converted.

In connection with our Reorganization Transaction and initial public offering of common stock on February 16, 2005, we issued 203,604,545 shares of common stock. On March 14, 2005, we issued 16,846,939 shares of common stock in exchange for warrants issued by HMP (the HMP Warrants). Also on February 16, 2005, we issued 5,750,000 shares of 5% mandatory convertible preferred stock. This preferred stock is convertible into between 10,162,550 shares and 12,499,925 shares of our common stock, subject to anti-dilution adjustments, depending on the average market price of our common stock over the 20 trading-day period ending on the third trading day prior to conversion. All share and per share data reflected in our condensed consolidated financial statements (unaudited) have been retroactively restated to give effect to the shares issued in connection with the Reorganization Transaction, the initial public offering of common stock and the exchange of the HMP Warrants on March 14, 2005, as if such shares had been issued at the beginning of the period. As a result of the change in capital structure and declaration of dividends on our mandatory convertible preferred stock in the first quarter of 2005, per share results for the nine month periods ended September 30, 2006 and 2005 are not comparable.

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Basic and diluted income (loss) per share is calculated as follows (in millions, except share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Basic and diluted income (loss) from continuing operations available to common stockholders (numerator):				
Income (loss) from continuing operations	\$ 69.9	\$ (15.4)	\$ 349.2	\$ (4.3)
Preferred stock dividends				(43.1)
Income (loss) from continuing operations available to common stockholders	\$ 69.9	\$ (15.4)	\$ 349.2	\$ (47.4)
Basic and diluted (loss) income available to common stockholders (numerator):				
Net (loss) income	\$ (182.3)	\$ (29.9)	\$ 149.6	\$ 30.4
Preferred stock dividends				(43.1)
Net (loss) income available to common stockholders	\$ (182.3)	\$ (29.9)	\$ 149.6	\$ (12.7)
Shares (denominator):				
Weighted average shares outstanding	220,639,647	220,451,484	220,611,837	220,451,484
Dilutive securities:				
Preferred stock conversion	12,499,925		12,499,925	
Stock-based awards	38,860		5,244	
Total dilutive shares outstanding assuming conversion	233,178,432	220,451,484	233,117,006	220,451,484

Additional stock-based awards of 4,186,675 and 3,049,560 weighted average equivalent shares of stock were outstanding during the three months ended September 30, 2006 and 2005, respectively, and additional stock-based awards of 4,738,390 and 2,614,511 weighted average equivalent shares of stock were outstanding during the nine months ended September 30, 2006 and 2005, respectively. In addition, the preferred stock would have converted into 12,499,925 shares of common stock for the three and nine months ended September 30, 2005. However, these stock-based awards and the preferred stock conversion were not included in the computation of diluted earnings per share because the effect would be anti-dilutive.

20. Operating Segment Information

We report our operations through six operating segments: Polyurethanes, Materials and Effects, Performance Products, Pigments, Polymers and Base Chemicals.

The major products of each reportable operating segment are as follows:

Segment	Products
Polyurethanes	MDI, TPU, polyols, aniline, propylene oxide and MTBE (1)
Materials and Effects	Epoxy resin compounds, cross-linkers, matting agents, curing agents, epoxy, acrylic and polyurethane-based adhesives, tooling resins and stereolithography tooling resins, hybrid thermosets, textile chemicals and dyes
Performance Products	Amines, surfactants, linear alkylbenzene, maleic anhydride, other performance chemicals, glycols and technology licenses
Pigments	Titanium dioxide
Polymers	Ethylene (produced at the Odessa, Texas facilities primarily for internal use), polyethylene, polypropylene, expandable polystyrene, styrene and other polymers
Base Chemicals	Olefins (primarily ethylene and propylene), benzene, cyclohexane and paraxylene (2)

(1) On June 27, 2006, we sold our U.S. butadiene and MTBE business operated in our Base Chemicals segment. For more information, see Note 4. Business Disposition and Combination Sale of U.S. Butadiene and MTBE Business. The propylene oxide/MTBE operations in our Polyurethanes segment were not included in this sale.

(2) On September 27, 2006, we entered into a Sale and Purchase Agreement to sell our European base chemicals and polymers business. This transaction is expected to close by the end of 2006. Beginning in the third quarter of 2006, the operating results of our European base chemicals and polymers business are classified as discontinued operations and, accordingly, the revenues of this business are excluded from the Base Chemicals segment revenues for all periods presented. The EBITDA of our European base chemicals and polymers business is included in the Base Chemicals segment EBITDA for all periods presented. For more information, see Note 3. Discontinued Operations European Base Chemicals and Polymers Business.

Sales between segments are generally recognized at external market prices and are eliminated in consolidation. We use EBITDA to measure the financial performance of our global business units and for reporting the results of our operating segments. This measure includes all operating items relating to the businesses. The EBITDA of operating segments excludes items that principally apply to our company as a whole. The revenues and EBITDA for each of our reportable operating segments are as follows (dollars in millions):

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net Sales:				
Polyurethanes	\$ 885.4	\$ 835.3	\$ 2,619.6	\$ 2,609.9
Materials and Effects	551.1	289.5	1,179.0	911.5
Performance Products	468.6	462.4	1,479.0	1,517.4
Pigments	278.3	256.6	813.1	787.5
Polymers	456.5	427.5	1,349.7	1,249.3
Base Chemicals	150.7	458.8	1,062.4	1,478.9
Eliminations	(104.6)	(142.2)	(415.1)	(433.5)
Total	\$ 2,686.0	\$ 2,587.9	\$ 8,087.7	\$ 8,121.0

Huntsman Corporation:

Segment EBITDA (1):

Polyurethanes	\$ 134.9	\$ 193.7	\$ 474.6	\$ 535.0
Materials and Effects	45.5	41.3	114.3	135.5
Performance Products	35.7	25.5	155.0	158.0
Pigments	26.3	22.6	91.4	86.5
Polymers	32.1	(5.8)	99.0	71.6
Base Chemicals	(213.9)	8.9	(51.9)	252.0
Corporate and other (2)	(47.0)	(83.8)	(88.3)	(422.8)
Total	\$ 13.6	\$ 202.4	\$ 794.1	\$ 815.8

EBITDA (1)	\$ 13.6	\$ 202.4	\$ 794.1	\$ 815.8
Interest expense, net	(83.4)	(101.1)	(264.8)	(341.8)
Income tax benefit (expense)-continuing operations	17.4	(13.5)	(16.0)	(36.9)
Income tax (expense) benefit-discontinued operations and cumulative effect of accounting change	(11.2)	5.8	(10.5)	(33.8)
Depreciation and amortization	(118.7)	(123.5)	(353.2)	(372.9)
Net (loss) income	\$ (182.3)	\$ (29.9)	\$ 149.6	\$ 30.4

Huntsman International:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Segment EBITDA (1):				
Polyurethanes	\$ 134.9	\$ 193.7	\$ 474.6	\$ 535.0
Materials and Effects	45.5	41.3	114.3	135.5
Performance Products	35.7	25.5	155.0	158.0
Pigments	26.3	22.6	91.4	86.5
Polymers	32.1	(5.8)	99.0	71.6
Base Chemicals	(213.9)	8.9	(51.9)	252.0
Corporate and other (2)	(31.7)	(88.5)	(82.2)	(271.1)
Total	\$ 28.9	\$ 197.7	\$ 800.2	\$ 967.5

EBITDA (1)	\$ 28.9	\$ 197.7	\$ 800.2	\$ 967.5
Interest expense, net	(84.6)	(102.7)	(268.3)	(339.5)
Income tax benefit (expense)-continuing operations	21.3	(12.0)	(58.2)	(42.9)
Income tax (expense) benefit-discontinued operations and cumulative effect of accounting change	(11.3)	5.8	(10.6)	(33.4)

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Depreciation and amortization	(112.0)	(116.7)	(332.9)	(352.8)
Net (loss) income	\$	(157.7)	\$	(27.9)	\$	130.2
							\$	198.9

(1) EBITDA is defined as net income (loss) before interest, income tax and depreciation and amortization.

(2) EBITDA from corporate and other items includes unallocated corporate overhead, loss on early extinguishment of debt, loss on A/R Securitization Program, unallocated foreign exchange gains or losses, other non-operating income (expense), cumulative effect of change in accounting principle and extraordinary gain on the acquisition of a business.

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21. Subsequent Event

On November 3, 2006, we entered into a conditional agreement to sell our Australian polyesters, vinylesters and gelcoats manufacturing assets to Nuplex Industries Ltd for A\$9.6 million (approximately \$7 million) in cash, plus the value of inventory and other stock in trade at the completion date (subject to certain adjustments) and additional consideration payable over a three year period upon achieving certain earnings targets. Completion of the sale is expected by year end 2006, subject to customary regulatory approvals.

22. Condensed Consolidating Financial Statements of Huntsman International

The following unaudited condensed consolidating financial statements of Huntsman International present, in separate columns, financial information for the following: Huntsman International LLC (on a parent only basis), with its investment in subsidiaries recorded under the equity method; the guarantors of Huntsman International's debt on a combined, and where appropriate, consolidated basis; and non-guarantor subsidiaries on a combined, and where appropriate, consolidated basis. Additional columns present eliminating adjustments and consolidated totals as of September 30, 2006 and December 31, 2005 and for the three and nine months ended September 30, 2006 and 2005. There are no contractual restrictions limiting transfers of cash from Huntsman International's guarantors to Huntsman International. Each of Huntsman International's guarantors is 100% owned by Huntsman International and has fully and unconditionally guaranteed Huntsman International's notes on a joint and several basis.

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET (UNAUDITED)

AS OF SEPTEMBER 30, 2006

(Dollars in Millions)

	Parent Company	Guarantors	Non-Guarantors	Eliminations	Consolidated Huntsman International LLC
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 32.3	\$ 1.6	\$ 195.6	\$	\$ 229.5
Accounts receivable, net	56.8	252.0	1,088.7	0.5	1,398.0
Accounts receivable from affiliates	595.3	2,478.9	361.7	(3,413.0)	) 22.9
Inventories, net	141.8	413.7	870.9	(4.2)	) 1,422.2
Prepaid expenses	9.6	85.1	19.1	(41.7)	) 72.1
Deferred income taxes	52.4	(0.2)	) 19.2	(14.6)	) 56.8
Other current assets	10.8	0.3	117.6	(8.7)	) 120.0
Current assets held for sale			402.6	(0.7)	) 401.9
Total current assets	899.0	3,231.4	3,075.4	(3,482.4)	) 3,723.4
Property, plant and equipment, net	538.0	1,263.4	1,903.4	3.0	3,707.8
Investment in unconsolidated affiliates	3,876.0	1,372.5	90.3	(5,139.1)	) 199.7
Intangible assets, net	152.0	(6.5)	) 54.5		200.0
Goodwill		88.0	7.4	(4.1)	) 91.3
Deferred income taxes	2.8	19.8	112.6	(14.6)	) 120.6
Notes receivable from affiliates	3,108.3	1,859.0		(4,967.3))
Other noncurrent assets	70.8	121.6	368.6		561.0
Noncurrent assets held for sale			500.1		500.1
Total assets	\$ 8,646.9	\$ 7,949.2	\$ 6,112.3	\$ (13,604.5)	) \$ 9,103.9
LIABILITIES AND MEMBERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 115.4	\$ 300.8	\$ 630.6	\$	\$ 1,046.8
Accounts payable to affiliates	2,427.5	254.1	735.1	(3,412.1)	) 4.6
Accrued liabilities	115.8	178.6	341.5	(50.3)	) 585.6
Deferred income taxes	5.4	19.8	22.3	(14.6)	) 32.9
Current portion of long-term debt	145.4	8.2	73.0		226.6
Current liabilities held for sale			315.8	(1.2)	) 314.6
Total current liabilities	2,809.5	761.5	2,118.3	(3,478.2)	) 2,211.1
Long-term debt	4,046.7	3,076.8	1,942.9	(4,967.3)	) 4,099.1
Deferred income taxes	22.5	33.8	152.8	(14.7)	) 194.4
Other noncurrent liabilities	142.6	206.6	544.1	(0.8)	) 892.5
Noncurrent liabilities held for sale			51.7		51.7
Total liabilities	7,021.3	4,078.7	4,809.8	(8,461.0)	) 7,448.8
Minority interests		123.9	24.2	(118.6)	) 29.5
Members' equity:					
Members' equity	2,806.8	2,836.4	1,403.8	(4,240.2)) 2,806.8
Subsidiary preferred stock		73.4	1.4	(74.8))
	(1,254.2)) 595.1	(68.5)) (526.6)) (1,254.2)

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(Accumulated deficit) retained earnings

Accumulated other comprehensive income (loss)	73.0	241.7	(58.4) (183.3) 73.0
Total members equity	1,625.6	3,746.6	1,278.3	(5,024.9) 1,625.6
Total liabilities and members equity	\$ 8,646.9	\$ 7,949.2	\$ 6,112.3	\$ (13,604.5) \$ 9,103.9

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET (UNAUDITED)

AS OF DECEMBER 31, 2005

(Dollars in Millions)

	Parent Company	Guarantors	Non-Guarantors	Eliminations	Consolidated Huntsman International LLC
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 10.0	\$ 7.9	\$ 114.6	\$	\$ 132.5
Accounts receivable, net	88.6	537.5	849.1		1,475.2
Accounts receivable from affiliates	523.4	1,035.6	479.5	(2,028.1)	) 10.4
Inventories, net	129.7	428.0	753.2	(1.7)	) 1,309.2
Prepaid expenses	3.6	28.9	27.7	(14.3)	) 45.9
Deferred income taxes	45.5		0.3	(14.6)	) 31.2
Other current assets	27.7	1.7	49.1	(8.6)	) 69.9
Total current assets	828.5	2,039.6	2,273.5	(2,067.3)	) 3,074.3
Property, plant and equipment, net	559.3	1,383.8	2,390.4	3.2	4,336.7
Investment in unconsolidated affiliates	3,521.8	2,253.7	65.7	(5,665.6)	) 175.6
Intangible assets, net	170.4	(3.8)	) 55.4		222.0
Goodwill		88.0	7.3	(4.1)	) 91.2
Deferred income taxes		19.9	88.9	(14.6)	) 94.2
Notes receivable from affiliates	2,204.1	1,810.3	3.0	(4,014.4)	) 3.0
Other noncurrent assets	90.1	142.1	403.8		636.0
Total assets	\$ 7,374.2	\$ 7,733.6	\$ 5,288.0	\$ (11,762.8)	) \$ 8,633.0
LIABILITIES AND MEMBERS EQUITY					
Current liabilities:					
Accounts payable	\$ 78.7	\$ 429.1	\$ 584.9	\$	\$ 1,092.7
Accounts payable to affiliates	1,214.8	282.9	539.3	(2,028.3)	) 8.7
Accrued liabilities	188.3	185.0	382.0	(23.0)	) 732.3
Deferred income taxes		19.9	(2.9)	) (14.6)	) 2.4
Current portion of long-term debt	20.3	9.6	14.7		44.6
Total current liabilities	1,502.1	926.5	1,518.0	(2,065.9)	) 1,880.7
Long-term debt	4,358.1	2,134.6	1,935.0	(4,014.4)	) 4,413.3
Deferred income taxes	45.5	0.3	185.7	(14.6)	) 216.9
Other noncurrent liabilities	136.8	202.2	431.5	(0.5)	) 770.0
Total liabilities	6,042.5	3,263.6	4,070.2	(6,095.4)	) 7,280.9
Minority interests		84.7	15.6	(79.9)	) 20.4
Members equity:					
Members equity	2,794.0	3,821.1	1,302.0	(5,123.1)	) 2,794.0
Subsidiary preferred stock		73.4	1.4	(74.8))
(Accumulated deficit) retained earnings	(1,384.0)	) 421.6	8.5	(430.1)	) (1,384.0)
Accumulated other comprehensive (loss) income	(78.3)	) 69.2	(109.7)	) 40.5	(78.3)
Total members equity	1,331.7	4,385.3	1,202.2	(5,587.5)) 1,331.7

Total liabilities and members equity	\$ 7,374.2	\$ 7,733.6	\$ 5,288.0	\$ (11,762.8)	\$ 8,633.0
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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30, 2006

(Dollars in Millions)

	Parent Company	Guarantors	Non- Guarantors	Eliminations	Consolidated Huntsman International LLC
Revenues:					
Trade sales, services and fees	\$ 395.6	\$ 876.0	\$ 1,393.4	\$	\$ 2,665.0
Related party sales	95.5	79.1	373.1	(526.7)	) 21.0
Total revenues	491.1	955.1	1,766.5	(526.7)	) 2,686.0
Cost of goods sold					
	399.3	888.1	1,545.0	(524.6)	) 2,307.8
Gross profit	91.8	67.0	221.5	(2.1)	) 378.2
Operating expenses:					
Selling, general and administrative	45.7	30.5	135.0	(0.1)	) 211.1
Research and development	9.0	7.5	18.8		) 35.3
Other operating expense (income)	8.3	(26.0)	(10.9)	)	(28.6)
Restructuring, impairment and plant closing (credits) costs		(0.7)	) 4.2		) 3.5
Total expenses	63.0	11.3	147.1	(0.1)	) 221.3
Operating income	28.8	55.7	74.4	(2.0)	) 156.9
Interest expense, net	(14.0)	) (46.2)	) (24.4)	)	) (84.6)
Gain (loss) on accounts receivable securitization program	3.5	(3.5)	) (4.0)	)	) (4.0)
Equity in (losses) income of subsidiaries and unconsolidated affiliates	(163.8)	) (163.9)	) 0.5	) 327.7	) 0.5
Loss on early extinguishment of debt	(18.1)	)			) (18.1)
Other income (expense)	0.8	0.4	(0.2)	) 0.2	) 1.2
(Loss) income from continuing operations before income taxes and minority interest	(162.8)	) (157.5)	) 46.3	) 325.9	) 51.9
Income tax benefit	3.1	4.2	14.0		) 21.3
Minority interest in subsidiaries income		(0.2)	) (0.4)	) 0.2	) (0.4)
(Loss) income from continuing operations	(159.7)	) (153.5)	) 59.9	) 326.1	) 72.8
Loss from discontinued operations, net of tax	(0.8)	)	(238.6)	)	) (239.4)
Extraordinary gain on the acquisition of a business, net of tax of nil	2.8		6.1		) 8.9
Net loss	\$ (157.7)	) \$ (153.5)	) \$ (172.6)	) \$ 326.1	) \$ (157.7)

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2006

(Dollars in Millions)

	Parent Company	Guarantors	Non- Guarantors	Eliminations	Consolidated Huntsman International LLC
Revenues:					
Trade sales, services and fees	\$ 1,112.0	\$ 3,270.0	\$ 3,642.7	\$	\$ 8,024.7
Related party sales	222.2	241.5	694.5	(1,095.2)	) 63.0
Total revenues	1,334.2	3,511.5	4,337.2	(1,095.2)	) 8,087.7
Cost of goods sold	1,070.4	3,136.9	3,764.3	(1,090.5)	) 6,881.1
Gross profit	263.8	374.6	572.9	(4.7)	) 1,206.6
Operating expenses:					
Selling, general and administrative	164.8	84.9	306.6	(0.6)	) 555.7
Research and development	29.3	21.6	37.7		) 88.6
Other operating expense (income)	32.4	(141.1)	(14.1)	)	(122.8)
Restructuring, impairment and plant closing costs		10.6	9.4		) 20.0
Total expenses (income)	226.5	(24.0)	339.6	(0.6)	) 541.5
Operating income	37.3	398.6	233.3	(4.1)	) 665.1
Interest expense, net	(114.5)	) (53.3)	) (100.5)	)	(268.3)
Gain (loss) on accounts receivable securitization program	9.8	(10.6)	(10.0)	)	(10.8)
Equity in income (losses) of subsidiaries and unconsolidated affiliates	210.7	(77.5)	) 2.6	(133.2)	) 2.6
Loss on early extinguishment of debt	(18.1)	)			(18.1)
Other (expense) income	(0.5)	) 5.7	0.1	(4.0)	) 1.3
Income from continuing operations before income taxes and minority interest	124.7	262.9	125.5	(141.3)	) 371.8
Income tax expense	(0.2)	) (45.4)	) (12.6)	)	(58.2)
Minority interest in subsidiaries income		(38.6)	) (1.0)	) 38.5	(1.1)
Income from continuing operations	124.5	178.9	111.9	(102.8)	) 312.5
Loss from discontinued operations, net of tax	(1.6)	)	(235.7)	)	(237.3)
Extraordinary gain on the acquisition of a business, net of tax of nil	7.3		47.7		) 55.0
Net income (loss)	\$ 130.2	\$ 178.9	\$ (76.1)	\$ (102.8)	) \$ 130.2

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30, 2005

(Dollars in Millions)

	Parent Company	Guarantors	Non- Guarantors	Eliminations	Consolidated Huntsman International LLC
Revenues:					
Trade sales, services and fees	\$ 304.5	\$ 1,164.5	\$ 1,093.8	\$	\$ 2,562.8
Related party sales	45.3	64.7	199.6	(284.5)	25.1
Total revenues	349.8	1,229.2	1,293.4	(284.5)	2,587.9