TELEFLEX INC
Form 10-Q
July 31, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 1, 2012

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 1-5353

TELEFLEX INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**23-1147939**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**
155 South Limerick Road, Limerick, Pennsylvania	**19468**
(Address of principal executive offices)	**(Zip Code)**

(610) 948-5100

(Registrant s telephone number, including area code)

(None)

(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

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. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The registrant had 40,865,780 shares of common stock, $1.00 par value, outstanding as of July 20, 2012.

Table of Contents

TELEFLEX INCORPORATED

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED JULY 1, 2012

TABLE OF CONTENTS

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended		Six Months Ended	
	July 1, 2012	June 26, 2011	July 1, 2012	June 26, 2011
	(Dollars and shares in thousands, except per share)			
Net revenues	$ 383,332	$ 381,168	$ 763,899	$ 726,749
Cost of goods sold	198,968	199,817	395,421	383,351
Gross profit	184,364	181,351	368,478	343,398
Selling, general and administrative expenses	105,951	109,838	218,087	211,548
Research and development expenses	13,702	12,455	25,255	23,486
Goodwill impairment			332,128	
Restructuring and other impairment charges	321	3,176	(1,004)	3,771
Gain on sales of businesses and assets	(332)		(332)	
Income (loss) from continuing operations before interest, loss on extinguishments of debt and taxes	64,722	55,882	(205,656)	104,593
Interest expense	18,240	15,785	36,451	31,931
Interest income	(506)	(253)	(984)	(358)
Loss on extinguishments of debt		816		15,413
Income (loss) from continuing operations before taxes	46,988	39,534	(241,123)	57,607
Taxes (benefit) on income (loss) from continuing operations	(278)	8,436	(4,276)	13,009
Income (loss) from continuing operations	47,266	31,098	(236,847)	44,598
Operating income (loss) from discontinued operations (including gain (loss) on disposal of $2,264 for the three and six month periods in 2012 and ($4,504) and $52,269 for the three and six month periods in 2011, respectively)	(8,049)	(3,593)	(7,120)	61,117
Taxes (benefit) on income (loss) from discontinued operations	(3,682)	(6,982)	(3,358)	(6,966)
Income (loss) from discontinued operations	(4,367)	3,389	(3,762)	68,083
Net income (loss)	42,899	34,487	(240,609)	112,681
Less: Income from continuing operations attributable to noncontrolling interest	286	258	513	481
Income from discontinued operations attributable to noncontrolling interest		159		318
Net income (loss) attributable to common shareholders	$ 42,613	$ 34,070	$ (241,122)	$ 111,882
Earnings per share available to common shareholders:				
Basic:				
Income (loss) from continuing operations	$ 1.15	$ 0.76	$ (5.82)	$ 1.09
Income (loss) from discontinued operations	(0.11)	0.08	(0.09)	1.69

Net income (loss)	$ 1.04	$ 0.84	$ (5.91)	$ 2.78
Diluted:				
Income (loss) from continuing operations	$ 1.14	$ 0.75	$ (5.82)	$ 1.09
Income (loss) from discontinued operations	(0.10)	0.08	(0.09)	1.66
Net income (loss)	$ 1.04	$ 0.83	$ (5.91)	$ 2.75
Dividends per common share	$ 0.34	$ 0.34	$ 0.68	$ 0.68
Weighted average common shares outstanding:				
Basic	40,834	40,536	40,801	40,297
Diluted	41,076	40,872	40,801	40,648
Amounts attributable to common shareholders:				
Income (loss) from continuing operations, net of tax	$ 46,980	$ 30,840	$ (237,360)	$ 44,117
Income (loss) from discontinued operations, net of tax	(4,367)	3,230	(3,762)	67,765
Net income (loss)	$ 42,613	$ 34,070	$ (241,122)	$ 111,882

The accompanying notes are an integral part of the condensed consolidated financial statements.

Table of Contents

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended		Six Months Ended	
	July 1, 2012	June 26, 2011	July 1, 2012	June 26, 2011
		(Dollars in thousands)		
Net income (loss)	$ 42,899	$ 34,487	$ (240,609)	$ 112,681
Other comprehensive income (loss), net of tax:				
Foreign Currency:				
Foreign currency translation continuing operations adjustments, net of tax ($(13,397), $(25), $(9,184), $2,323 for the three and six month periods, respectively)	(66,391)	13,627	(35,708)	61,851
Foreign currency translation discontinued operations adjustments		432		2,504
Foreign currency translation divestiture of Marine				(33,424)
Foreign currency translation, net of tax	(66,391)	14,059	(35,708)	30,931
Pension and Other Postretirement Benefits Plans:				
Prior service cost recognized in net periodic cost, net of tax ($(3), $(3), $(5), $(5) for the three and six month periods, respectively)	(4)	(4)	(7)	(8)
Transition obligation recognized in net periodic cost, net of tax ($9, $11, $18, $21 for the three and six month periods, respectively)	16	17	31	34
Curtailments arising during the period, net of tax ($(50) for the three and six month periods in 2012)	(84)		(84)	
Settlements arising during the period, net of tax ($41 for the three and six month periods in 2012)	70		70	
Unamortized gain arising during the period, net of tax ($1 and $2,884 for the three and six month periods in 2011, respectively)		8		4,690
Net loss recognized in net periodic cost, net of tax ($604, $369, $1,209, $769 for the three and six month periods, respectively)	1,104	654	2,209	1,358
Discontinued operations, net of tax ($(14) for the six month period in 2011)				(37)
Divestiture of Marine, net of tax ($4,612 for the six month period in 2011)				8,427
Foreign currency translation, net of tax ($94, $9, $44, $(173) for the three and six month periods, respectively)	256	28	117	(455)
Pension and other postretirement benefits plans adjustment, net of tax	1,358	703	2,336	14,009
Derivatives qualifying as hedges:				
Unrealized gain (loss) on derivatives arising during the period, net of tax ($(334), $(511), $(13), ($280) for the three and six month periods, respectively)	(536)	(820)	157	(981)
Reclassification adjustment on derivatives included in net income, net of tax ($1,391, $1,410, $2,478, $2,621 for the three and six month periods, respectively)	2,382	2,396	4,149	4,321
Discontinued operations, net of tax ($(89) and $(8) for the three and six month periods in 2011, respectively)		(157)		(15)
Derivatives qualifying as hedges, net of tax	1,846	1,419	4,306	3,325
Other comprehensive income (loss), net of tax	(63,187)	16,181	(29,066)	48,265
Comprehensive income (loss)	(20,288)	50,668	(269,675)	160,946
Less: comprehensive income attributable to noncontrolling interest	44	434	349	810

Comprehensive income (loss) attributable to common shareholders	$ (20,332)	$ 50,234	$ (270,024)	$ 160,136

The accompanying notes are an integral part of the condensed consolidated financial statements.

Table of Contents

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	July 1, 2012	December 31, 2011
	(Dollars in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 544,991	$ 584,088
Accounts receivable, net	275,166	286,226
Inventories, net	284,555	298,775
Prepaid expenses and other current assets	24,813	33,405
Prepaid taxes	29,690	28,846
Deferred tax assets	36,526	41,014
Assets held for sale	53,890	7,902
Total current assets	1,249,631	1,280,256
Property, plant and equipment, net	253,684	251,912
Goodwill	1,095,591	1,438,542
Intangible assets, net	938,129	879,787
Investments in affiliates	1,669	2,008
Deferred tax assets	275	278
Other assets	67,843	71,320
Total assets	$ 3,606,822	$ 3,924,103
LIABILITIES AND EQUITY		
Current liabilities		
Current borrowings	$ 4,700	$ 4,986
Accounts payable	65,471	67,092
Accrued expenses	83,177	78,160
Payroll and benefit-related liabilities	58,921	64,386
Derivative liabilities	1,669	633
Accrued interest	9,155	10,960
Income taxes payable	12,911	21,084
Current liability for uncertain tax positions	3,910	22,656
Deferred tax liabilities	1,011	1,050
Liabilities held for sale	1,749	
Total current liabilities	242,674	271,007
Long-term borrowings	959,945	954,809
Deferred tax liabilities	397,454	420,833
Pension and postretirement benefit liabilities	182,461	194,984
Noncurrent liability for uncertain tax positions	60,226	61,688
Other liabilities	72,048	37,999
Total liabilities	1,914,808	1,941,320
Commitments and contingencies		
Total common shareholders equity	1,689,470	1,980,588
Noncontrolling interest	2,544	2,195

Total equity	1,692,014	1,982,783
Total liabilities and equity	$ 3,606,822	$ 3,924,103

The accompanying notes are an integral part of the condensed consolidated financial statements.

4

Table of Contents

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended July 1, 2012	Six Months Ended June 26, 2011
	(Dollars in thousands)	
Cash Flows from Operating Activities of Continuing Operations:		
Net income (loss)	$ (240,609)	$ 112,681
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (income) from discontinued operations	3,762	(68,083)
Depreciation expense	17,148	20,326
Amortization expense of intangible assets	21,202	21,375
Amortization expense of deferred financing costs and debt discount	7,098	6,642
Loss on extinguishments of debt		15,413
Stock-based compensation	4,003	965
Impairment of investments in affiliates		3,061
Gain on sales of businesses and assets	(332)	
Goodwill impairment	332,128	
Deferred income taxes, net	(21,480)	941
Other	(2,771)	658
Changes in operating assets and liabilities, net of effects of acquisitions and disposals:		
Accounts receivable	(13,225)	(36,957)
Inventories	2,698	(18,058)
Prepaid expenses and other current assets	8,476	(3,707)
Accounts payable and accrued expenses	(5,192)	(1,923)
Income taxes receivable and payable, net	(23,668)	(15,561)
Net cash provided by operating activities from continuing operations	89,238	37,773
Cash Flows from Investing Activities of Continuing Operations:		
Expenditures for property, plant and equipment	(28,893)	(15,132)
Proceeds from sales of businesses and assets, net of cash sold	17,155	100,916
Payments for businesses and intangibles acquired, net of cash acquired	(62,627)	(30,570)
Net cash (used in) provided by investing activities from continuing operations	(74,365)	55,214
Cash Flows from Financing Activities of Continuing Operations:		
Proceeds from long-term borrowings		515,000
Repayment of long-term borrowings		(455,800)
Decrease in notes payable and current borrowings	(707)	
Proceeds from stock compensation plans	4,091	30,577
Dividends	(27,756)	(27,438)
Debt extinguishment, issuance and amendment fees		(19,058)
Net cash (used in) provided by financing activities from continuing operations	(24,372)	43,281
Cash Flows from Discontinued Operations:		
Net cash (used in) provided by operating activities	(8,191)	13,151
Net cash used in investing activities	(2,121)	(1,386)

Net cash (used in) provided by discontinued operations	(10,312)	11,765
Effect of exchange rate changes on cash and cash equivalents	(19,286)	9,324
Net (decrease) increase in cash and cash equivalents	(39,097)	157,357
Cash and cash equivalents at the beginning of the period	584,088	208,452
Cash and cash equivalents at the end of the period	$ 544,991	$ 365,809

The accompanying notes are an integral part of the condensed consolidated financial statements.

5

Table of Contents

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Common Stock		Additional		Accumulated Other	Treasury Stock			
	Shares	Dollars	Paid in Capital	Retained Earnings	Comprehensive Income	Shares	Dollars	Noncontrolling Interest	Total Equity
	(Dollars and shares in thousands, except per share)								
Balance at December 31, 2010	42,245	$ 42,245	$ 349,156	$ 1,578,913	$ (51,880)	2,250	$ (135,058)	$ 3,902	$ 1,787,278
Net income				111,882				799	112,681
Cash dividends ($0.68 per share)				(27,438)					(27,438)
Comprehensive income					48,254			11	48,265
Shares issued under compensation plans	609	609	25,503			(55)	3,315		29,427
Deferred compensation			(39)			(4)	163		124
Balance at June 26, 2011	42,854	$ 42,854	$ 374,620	$ 1,663,357	$ (3,626)	2,191	$ (131,580)	$ 4,712	$ 1,950,337

	Common Stock		Additional		Accumulated Other	Treasury Stock			
	Shares	Dollars	Paid in Capital	Retained Earnings	Comprehensive Income	Shares	Dollars	Noncontrolling Interest	Total Equity
	(Dollars and shares in thousands, except per share)								
Balance at December 31, 2011	42,923	$ 42,923	$ 380,965	$ 1,847,106	$ (159,353)	2,183	$ (131,053)	$ 2,195	$ 1,982,783
Net income (loss)				(241,122)				513	(240,609)
Cash dividends ($0.68 per share)				(27,756)					(27,756)
Comprehensive income					(28,902)			(164)	(29,066)
Shares issued under compensation plans	81	81	4,091			(39)	2,384		6,556
Deferred compensation			(10)			(4)	116		106
Balance at July 1, 2012	43,004	$ 43,004	$ 385,046	$ 1,578,228	$ (188,255)	2,140	$ (128,553)	$ 2,544	$ 1,692,014

The accompanying notes are an integral part of the condensed consolidated financial statements.

Table of Contents

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 Basis of presentation

We prepared the accompanying unaudited condensed consolidated financial statements of Teleflex Incorporated on the same basis as our annual consolidated financial statements.

In the opinion of management, our financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair statement of financial statements for interim periods in accordance with U.S. generally accepted accounting principles (GAAP) and with Rule 10-01 of SEC Regulation S-X, which sets forth the instructions for financial statements included in Form 10-Q. The preparation of condensed consolidated 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 our financial statements, as well as the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

In accordance with applicable accounting standards, the accompanying condensed consolidated financial statements do not include all of the information and footnote disclosures that are required to be included in our annual consolidated financial statements. The year-end condensed balance sheet data was derived from audited financial statements, but, as permitted by Rule 10-01 of SEC Regulation S-X, does not include all disclosures required by GAAP for complete financial statements. Accordingly, our quarterly condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011.

Certain reclassifications of prior year information have been made to conform to the current year s presentation. In the first quarter of 2012, the Company changed its segment reporting from a single reportable segment to four reportable segments. Three of the four reportable segments are geographically based: North America, EMEA (representing the Company s operations in Europe, the Middle East and Africa) and AJLA (representing Asian and Latin American operations). The Company s fourth reportable segment is comprised of the Company s Original Equipment Manufacturer and Development Services (OEM) businesses. See Note 14 for a discussion of the Company s segments. In addition, in the first quarter of 2012, the Company changed the number of its reporting units. In 2011, the Company had six reporting units comprised of North America, EMEA, OEM and three reporting units in the AJLA segment. In 2012, the Company changed its North America reporting unit structure from a single reporting unit to five reporting units comprised of Vascular, Anesthesia/Respiratory, Cardiac, Surgical and Specialty. As a result of the change in the North America reporting unit structure, the Company was required to conduct a goodwill impairment test of each of the North American reporting units and determined that the goodwill of three of the reporting units was impaired. As a result, the Company recorded a goodwill impairment charge of $332 million in the first quarter of 2012. See Note 5 for a discussion of the goodwill impairment.

As used in this report, the terms we, us, our, Teleflex and the Company mean Teleflex Incorporated and its subsidiaries, unless the context indicates otherwise. The results of operations for the periods reported are not necessarily indicative of those that may be expected for a full year.

Note 2 New accounting standards

The Company adopted the following new accounting standards as of January 1, 2012, the first day of its 2012 fiscal year:

Amendment to Fair Value Measurement: In May 2011, the Financial Accounting Standards Board (FASB) revised the fair value measurement and disclosure requirements so that the requirements under GAAP and International Financial Reporting Standards (IFRS) are the same. The guidance clarifies the

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FASB s intent about the application of existing fair value measurements and requires enhanced disclosures, most significantly related to unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy. The guidance became effective prospectively during interim and annual periods beginning after December 15, 2011.

Amendment to Comprehensive Income: In June 2011, the FASB amended guidance relating to the presentation of comprehensive income within an entity s financial statements. Under the guidance, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income in a single continuous statement or in two separate but consecutive statements. The amended guidance eliminates the previously available option of presenting the components of other comprehensive income as part of the statement of changes in equity. In addition, an entity is required to present adjustments on the face of the financial statements for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. The amendment became effective for fiscal years beginning after December 15, 2011 and is applied retrospectively, with the exception of the requirement to present reclassification adjustments from other comprehensive income to net income on the face of the financial statements, which has been deferred pending further deliberation by the FASB.

Note 3 Acquisitions

The Company made the following acquisitions during 2012, all of which were accounted for as business combinations:

On June 22, 2012, the Company acquired Hotspur Technologies, a developer of catheter-based technologies designed to restore blood flow in patients with obstructed vessels. The acquisition of this business complements the dialysis access product line in the Company s Cardiac Care division. The Company paid $15.0 million in cash as initial consideration for the business.

On May 22, 2012, the Company acquired Semprus BioSciences, a biomedical company that developed a long-lasting, covalently bonded, non-leaching polymer designed to reduce infections and thrombus related complications. While the Company will explore opportunities to apply this technology to a broad array of its product offerings, the initial focus for the technology will be with respect to vascular devices within the Company s Critical Care division. The Company paid $30.0 million in cash as initial consideration for the business.

On May 3, 2012, the Company acquired substantially all of the assets of Axiom Technology Partners, LLC, constituting its EFx laparoscopic fascial closure system, which is designed for the closure of abdominal trocar defects through which access ports and instruments were used during laparoscopic surgeries. The acquisition of this business complements the surgical closure product line in the Company s Surgical Care division. The Company paid $7.5 million in cash as initial consideration for the business.

On April 5, 2012, the Company acquired the EZ-Blocker product line, a single-use catheter used to perform lung isolation and one-lung ventilation. The acquisition of this product line complements the Anesthesia product portfolio in the Company s Critical Care division. The Company paid $3.3 million in cash as initial consideration for the business.

The total fair value of consideration for the acquisitions is estimated at $111.9 million, which includes the initial payments of $55.8 million in cash and the estimated fair value of the contingent consideration to be paid to the sellers of $56.1 million.

Table of Contents

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In connection with the acquisitions, the Company agreed to pay aggregate contingent consideration between approximately $61.0 million to $90.0 million, based on the achievement of specified objectives, including regulatory approvals and sales targets. The fair value of each component of contingent consideration was estimated based on the probability of achieving the specified objective using a probability-weighted discounted cash flow model. This fair value measurement is based on significant inputs not observed in the market and thus represents a Level 3 measurement as defined in connection with the fair value hierarchy (see Note 9, Fair value measurements). Any future change in the estimated fair value of the contingent consideration will be recognized in selling, general and administrative expenses in the statement of income for the period in which the estimated fair value changes. A change in fair value of the contingent consideration could have a material effect on the Company s results of operations and financial position for the period in which the change in estimate occurs.

Transaction expenses associated with the acquisitions, which are included in selling, general and administrative expenses on the Condensed Consolidated Statements of Income, were $0.6 million and $0.8 million for the three and six months ended July 1, 2012, respectively. Through July 1, 2012, the Company has recorded an aggregate operating loss of approximately $1.6 million resulting from the acquisitions. The results of operations of the acquired businesses and assets are included in the Condensed Consolidated Statements of Income as of their respective acquisition date. Pro forma information is not presented as the operations of the acquired businesses are not significant compared to the overall operations of the Company.

The following table presents the purchase price allocation of the fair value of the acquisitions that occurred during the second quarter of 2012:

		(Dollars in millions)
Assets		
Current assets	$	4.7
Property, plant and equipment		1.3
Intangible assets:		
Intellectual property		48.7
In-process research and development (IPR&D)		45.5
Goodwill		27.4
Total assets acquired		127.6
Less:		
Current liabilities		4.7
Deferred tax liabilities		11.0
Liabilities assumed		15.7
Net assets acquired	$	111.9

The Company is continuing to evaluate the initial purchase price allocation as of the respective acquisition dates. Further adjustments may be necessary as additional information related to the fair values of assets acquired and liabilities assumed is assessed.

Certain assets acquired in the second quarter acquisitions qualify for recognition as intangible assets, apart from goodwill, in accordance with FASB guidance related to business combinations. The estimated fair values of intangible assets acquired include intellectual property of $48.7 million and IPR&D of $45.5 million. Intellectual property has useful lives ranging from 15 to 20 years, and IPR&D has an indefinite life and is not amortized until completion and development of the related project, at which time the IPR&D becomes an amortizable asset. If the related project is not completed in a timely manner, the Company may incur an impairment charge related to

9

Table of Contents

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the IPR&D, calculated as the excess of the asset s carrying value over its fair value. The goodwill resulting from the acquisitions primarily reflects the expected revenue growth attributable to anticipated increased market penetration from future products and customers. Goodwill and the step-up in basis of the intangible assets are not deductible for tax purposes.

Note 4 Restructuring and other impairment charges

The amounts recognized in restructuring and other impairment charges for the three and six months ended July 1, 2012 and June 26, 2011 consisted of the following:

	Three Months Ended		Six Months Ended	
	July 1, 2012	June 26, 2011	July 1, 2012	June 26, 2011
	(Dollars in thousands)			
2012 restructuring charges	$ 265	$	$ 871	$
2007 Arrow integration program	56	115	(1,875)	710
Impairment charges		3,061		3,061
Restructuring and other impairment charges	$ 321	$ 3,176	$ (1,004)	$ 3,771

2012 Restructuring Charges

During the three and six months ended July 1, 2012, the Company incurred restructuring charges of $0.3 million and $0.9 million, respectively, related to the termination of certain distributor agreements in Europe and a redesign of operations at our North America plants.

2011 Restructuring Program

During 2011, the Company initiated a restructuring program at three facilities to consolidate operations and reduce costs. During the six months ended July 1, 2012, no costs have been incurred related to this program. The Company expects to incur additional contract termination costs of approximately $2.7 million when it has completely exited a leased facility. All of the employee termination benefits will be paid in 2012. The payment of the lease contract termination costs will continue until 2015.

2007 Arrow Integration Program

In connection with the Company s acquisition of Arrow International, Inc. (Arrow), the Company implemented a program in 2007 to integrate Arrow s businesses into the Company s other businesses. The aspects of this program that affect Teleflex employees and facilities (such aspects being referred to as the 2007 Arrow integration program) are charged to earnings and classified as restructuring and impairment charges. The following table provides information relating to the charges associated with the 2007 Arrow integration program that were included in restructuring and other impairment charges in the condensed consolidated statements of income for the periods presented:

	Three Months Ended		Six Months Ended	
	July 1, 2012	June 26, 2011	July 1, 2012	June 26, 2011
	(Dollars in thousands)			
Termination benefits	$	$ 4	$	$ 11
Facility closure costs	56	(76)	148	74

Contract termination costs		187	(2,023)	625
	$ 56	$ 115	$ (1,875)	$ 710

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

No impairment charges were recognized during the three and six month periods ended July 1, 2012 and June 26, 2011.

The following table provides information relating to changes in the accrued liability associated with the 2007 Arrow integration program during the six months ended July 1, 2012:

	Balance at December 31, 2011	Subsequent Accruals	Payments	Translation	Balance at July 1, 2012
			(Dollars in thousands)		
Termination benefits	$ 320	$	$ (5)	$ (13)	$ 302
Facility closure costs		148	(148)		
Contract termination costs	2,133	(2,023)		(6)	104
Other restructuring costs	21				21
	$ 2,474	$ (1,875)	$ (153)	$ (19)	$ 427

The reduction in the accrual for contract termination costs relates to a revised estimate for the settlement of a dispute involving the termination of a European distributor agreement that was established in connection with the acquisition of Arrow in 2007.

As of July 1, 2012, the Company expects future restructuring expenses associated with the 2007 Arrow integration program, if any, to be nominal.

Impairment Charges

During the second quarter of 2011, the Company recognized impairment charges of $3.1 million related to the decline in value of its investments in affiliates that are considered to be other than temporary. In making this determination, the Company considered multiple factors, including its intent and ability to hold investments, operating losses of investees that demonstrate an inability to recover the carrying value of the investments, the investee s liquidity and cash position and level of market acceptance of the investee s products and services.

Note 5 Impairment of goodwill

In 2012, the Company changed its North America reporting unit structure from a single reporting unit to five reporting units comprised of Vascular, Anesthesia/Respiratory, Cardiac, Surgical and Specialty. The Company allocated the assets and liabilities of the North America Segment among the new reporting units based on their respective operating activities, and then allocated goodwill among the reporting units using a relative fair value approach, as required by FASB Accounting Standards Codification Topic 350. The fair value of each reporting unit was determined based on a weighted combination of (i) estimation of the discounted cash flows of each of the reporting units based on projected earnings in the future (the income approach) and (ii) analysis of sales of similar assets in actual transactions (the market approach).

Table of Contents

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Following this allocation, the Company performed goodwill impairment tests on these new reporting units in the first quarter of 2012. As a result of these tests, the Company determined that three of the reporting units in the North America Segment were impaired, and it recorded goodwill impairment charges of $220 million in the Vascular reporting unit, $107 million in the Anesthesia/Respiratory reporting unit and $5 million in the Cardiac reporting unit in the first quarter of 2012.

Note 6 Inventories

Inventories as of July 1, 2012 and December 31, 2011 consisted of the following:

	July 1, 2012	December 31, 2011
	(Dollars in thousands)	
Raw materials	$ 82,528	$ 87,621
Work-in-process	45,341	45,486
Finished goods	186,694	198,587
	314,563	331,694
Less: Inventory reserve	(30,008)	(32,919)
Inventories	$ 284,555	$ 298,775

Note 7 Goodwill and other intangible assets

In the first quarter of 2012, the Company changed its reporting structure to four reportable segments, three of which are geographically-based and one of which is comprised of the Company s OEM business. See Note 14, Business segment information for additional information on the Company s new reporting structure.

The following table provides information relating to changes in the carrying amount of goodwill, by reportable segment, for the six months ended July 1, 2012:

	North America Segment	EMEA Segment	AJLA Segment	OEM Segment	Total
				(Dollars in thousands)	
Balance as of December 31, 2011					
Goodwill	$ 973,517	$ 283,362	$ 153,487	$ 28,176	$ 1,438,542
Accumulated impairment losses					
	973,517	283,362	153,487	28,176	1,438,542
Goodwill impairment charges	(332,128)				(332,128)
Goodwill related to acquisitions	26,733	687			27,420
				(28,176)	(28,176)

Goodwill transferred to assets held for sale							
Translation adjustment	17		(10,868)		784		(10,067)
Transfer of goodwill	679		(679)			 tyle="font-family:times;">	
Operating (loss) income		(1.6)		(0.3)	34.0		
Income tax expense							
(Loss) income from discontinued operations, net of tax	$	$ (1.6)		$ (0.3)	$ 34.0		

During the nine months ended September 30, 2008, we recorded an adjustment to increase the loss on disposal of $0.3 million related primarily to a pension levy. During the three and nine months ended September 30, 2007, we recorded an adjustment to (increase) decrease the loss on disposal of $(1.6) million and $34.0 million, respectively, related primarily to a pension funding accrual and post-closing working capital adjustments.

In connection with the sale, we agreed to indemnify the buyer with respect to any losses resulting from any environmental liability related to the pre-sale operations of the assets sold. These indemnities have various payment thresholds and time limits depending on the site and type of claim. Generally, we are not required to pay under these indemnification obligations until claims against us exceed £0.1 million (approximately $0.2 million) individually or £1.0 million (approximately $2.0 million) in the aggregate. We also agreed to indemnify the buyer with respect to certain tax liabilities. Our maximum exposure generally shall not exceed $600 million in the aggregate. We believe that the possibility that we will be required to pay any significant amounts under any of the indemnity provisions is remote.

The EBITDA of our former European base chemicals business is reported in our Base Chemicals segment.

TDI BUSINESS

On July 6, 2005, we sold our TDI business. The sale involved the transfer of our TDI customer list and sales contracts. We discontinued the use of our remaining TDI assets. Our former TDI business has been accounted for as a discontinued operation and was reported in our Polyurethanes segment.

18

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

3. DISCONTINUED OPERATIONS (Continued)

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,	
	2008	2007	2008	2007
Costs and expenses	$	$	$	$ (1.0)
Operating loss				(1.0)
Income tax benefit				0.4
Loss from discontinued operations, net of tax	$	$	$	$ (0.6)

4. BUSINESS COMBINATIONS

PENDING METROCHEM ACQUISITION

On June 29, 2007, we signed an agreement to acquire the Baroda division of Metrochem Industries Ltd ("Baroda") a manufacturer of textile dyes and intermediates in India. Under the terms of the agreement, either party may terminate the agreement since the transaction was not consummated by April 30, 2008. If neither party exercises its right to terminate the agreement, the remaining conditions to closing are to be satisfied and the transaction is to close under its current terms. We estimate the purchase price, including certain working capital and capital expenditures incurred pre-closing, would be approximately $51 million (U.S. dollar equivalents), of which €6.24 million (approximately $9 million) would represent deferred purchase price that would be paid 18 months following the acquisition date upon the completion of certain conditions by the seller. This purchase price would exclude from working capital the receivables existing on the closing date due to Baroda from our affiliates, which would be settled at or prior to closing. As of September 30, 2008, this agreement has not been terminated. There can be no assurance that the transaction will be consummated or, if consummated, that it will be consummated on the terms set forth in the agreement.

TEXTILE EFFECTS ACQUISITION

On June 30, 2006, we acquired Ciba's textile effects business (the "Textile Effects Acquisition"). 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 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 non-financial 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). During the

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

4. BUSINESS COMBINATIONS (Continued)

three and nine months ended September 30, 2008, we recorded an additional extraordinary gain on the acquisition of $1.6 million and $10.4 million, respectively, related to the reversal of accruals for certain employee termination costs recorded in connection with the Textile Effects Acquisition and a reimbursement by Ciba of certain restructuring costs associated with the acquisition. During the nine months ended September 30, 2007, we adjusted the preliminary purchase price allocation for, among other things, the finalization of restructuring plans, estimates of asset retirement obligations, the determination of related deferred taxes and finalization of the post-closing working capital adjustments, resulting in a reduction to the extraordinary gain on the acquisition of $6.5 million.

5. INVENTORIES

Inventories consisted of the following (dollars in millions):

	September 30, 2008	December 31, 2007
Raw materials and supplies	$ 295.0	$ 260.8
Work in progress	89.4	94.1
Finished goods	1,231.5	1,163.6
Total	1,615.9	1,518.5
LIFO reserves	(74.8)	(66.6)
Net	$ 1,541.1	$ 1,451.9

As of September 30, 2008 and December 31, 2007, approximately 8% and 9% of inventories were recorded using the last-in, first-out cost method, respectively.

In the normal course of operations, at times, we exchange raw materials with other companies for the purpose of reducing transportation costs. The net open exchange positions are valued at our cost. The amount included in inventory under open exchange agreements payable by us at September 30, 2008 was $22.2 million (25.8 million pounds of feedstock and products). The amount included in inventory under open exchange agreements payable by us at December 31, 2007 was $26.6 million (53.5 million pounds of feedstock and products).

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

6. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS

As of September 30, 2008 and December 31, 2007, 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(2)
Accrued liabilities as of January 1, 2008	$ 64.8	$ 12.2	$ 5.1	$ 13.7	$ 95.8
Adjustment to Textile Effects opening balance sheet liabilities	(9.9)				(9.9)
2008 charges for 2004 initiatives	0.4		1.1		1.5
2008 charges for 2006 initiatives	0.1				0.1
2008 charges for 2008 initiatives	3.3	0.1		0.8	4.2
Reversal of reserves no longer required	(0.6)				(0.6)
2008 payments for 2003 initiatives	(1.8)		(0.5)	(0.2)	(2.5)
2008 payments for 2004 initiatives	(3.0)		(0.6)		(3.6)
2008 payments for 2006 initiatives	(15.6)	(7.1)		(0.5)	(23.2)
2008 payments for 2007 initiatives	(0.1)				(0.1)
2008 payments for 2008 initiatives	(1.2)			(0.8)	(2.0)
Net activity of discontinued operations	(0.4)				(0.4)
Foreign currency effect on reserve balance	3.0	0.8	(0.1)	0.1	3.8
Accrued liabilities as of September 30, 2008	$ 39.0	$ 6.0	$ 5.0	$ 13.1	$ 63.1

(1) Accrued liabilities classified as workforce reductions consist primarily of restructuring programs recorded in connection with business combinations in accordance with EITF 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*, and are expected to be paid through 2009. The total workforce reduction reserves of $39.0 million relate to 286 positions that have not been terminated as of September 30, 2008.

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

	September 30, 2008	December 31, 2007
2001 initiatives	$ 1.4	$ 1.4
2003 initiatives	8.5	11.2
2004 initiatives	7.0	9.5
2006 initiatives	37.4	70.4
2007 initiatives	0.3	0.8
2008 initiatives	2.2	
Foreign currency effect on reserve balance	6.3	2.5
Total	$ 63.1	$ 95.8

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

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

Details with respect to our restructuring reserves by segment and initiative are provided below (dollars in millions):

	Polyurethanes	Materials and Effects	Performance Products	Pigments	Discontinued Operations	Corporate & Other	Total
Accrued liabilities as of January 1, 2008	$ 4.5	$ 81.3	$ 2.0	$ 7.6	$ 0.4	$	$ 95.8
Adjustment to Textile Effects opening balance sheet liabilities		(9.9)					(9.9)
2008 charges for 2004 initiatives			0.1	1.4			1.5
2008 charges for 2006 initiatives		0.1					0.1
2008 charges for 2008 initiatives		2.8		0.5		0.9	4.2
Reversal of reserves no longer required				(0.6)			(0.6)
2008 payments for 2003 initiatives	(1.3)	(0.4)	(0.2)	(0.6)			(2.5)
2008 payments for 2004 initiatives	(0.4)		(0.6)	(2.6)			(3.6)
2008 payments for 2006 initiatives		(23.2)					(23.2)
2008 payments for 2007 initiatives		(0.1)					(0.1)
2008 payments for 2008 initiatives		(1.5)				(0.5)	(2.0)
Net activity of discontinued operations					(0.4)		(0.4)
Foreign currency effect on reserve balance	0.1	3.9	(0.1)	(0.1)			3.8
Accrued liabilities as of September 30, 2008	$ 2.9	$ 53.0	$ 1.2	$ 5.6	$	$ 0.4	$ 63.1
Current portion of restructuring reserve	$ 1.4	$ 51.3	$ 1.2	$ 3.9	$	$ 0.4	$ 58.2
Long-term portion of restructuring reserve	1.5	1.7		1.7			4.9

Details with respect to cash and non-cash restructuring charges by initiative are provided below (dollars in millions):

	Nine months ended September 30, 2008
Cash charges:	
2008 charges for 2004 initiatives	$ 1.5
2008 charges for 2006 initiatives	0.1
2008 charges for 2008 initiatives	4.2
Reversals of reserves no longer required	(0.6)
Non-cash charges	3.4

Total Restructuring, Impairment and Plant Closing Costs	$	8.6

22

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

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

	Nine months ended September 30, 2007
Cash charges:	
2007 charges for 2003 initiatives	$ 0.3
2007 charges for 2004 initiatives	4.6
2007 charges for 2005 initiatives	0.3
2007 charges for 2007 initiatives	18.7
Reversals of reserves no longer required	(3.0)
Non-cash charges	12.6
Total Restructuring, Impairment and Plant Closing Costs	$ 33.5

During the nine months ended September 30, 2008, our Materials and Effects segment recorded charges of $2.9 million related to decommissioning and other costs associated with plant closures in France and Switzerland, supply chain integration and employee termination costs, and reversed accruals of $9.9 million for certain employee termination costs recorded in connection with the Textile Effects Acquisition.

During the nine months ended September 30, 2008, our Pigments segment recorded charges of $1.9 million primarily related to lease termination costs associated with our London, England office and workforce reduction costs related to a reorganization of engineering support. Also during the nine months ended September 30, 2008, our Pigments segment reversed accruals of $0.6 million for certain employee termination costs no longer required.

During the nine months ended September 30, 2008, we recorded a non-cash impairment charge of $3.4 million in Corporate and Other related to the impairment of capital expenditures and turnaround costs associated with our Australian styrenics business. The long-lived assets of our Australian styrenics business were previously determined to be impaired in accordance with SFAS No. 144. 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. We also recorded charges of $0.9 million primarily related to cost savings programs in our corporate group.

7. INVESTMENT IN UNCONSOLIDATED AFFILIATES

Summarized applicable financial information of our unconsolidated affiliate Sasol-Huntsman GmbH and Co. KG. for the three and nine months ended September 30, 2008 and 2007 is presented below (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Revenues	$32.5	$26.8	$99.1	$76.7
Gross profit	3.9	6.9	20.8	23.9
Net income	1.5	1.9	9.8	9.6

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

7. INVESTMENT IN UNCONSOLIDATED AFFILIATES (Continued)

During the nine months ended September 30, 2008, we contributed $43.5 million as our 50% equity contribution to our ethyleneamines manufacturing joint venture in Jubail Industrial City, Saudi Arabia with Zamil Group. This joint venture's funding requirements will be satisfied through a combination of debt and equity, with the equity already provided on a 50/50 basis by us and Zamil Group. The joint venture obtained various loan commitments in the aggregate amount of approximately $195 million in U.S. dollar equivalents, of which nothing was drawn as of September 30, 2008. We have provided certain guarantees of approximately $14 million for these commitments which will cease to exist upon completion of the project and satisfaction of certain conditions. We have estimated that the fair value of these guarantees was nil as of the closing date of this transaction and, accordingly, no amounts have been recorded. This joint venture is accounted for under the equity method.

8. DEBT

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

	September 30, 2008	December 31, 2007
Senior Credit Facilities:		
Revolving Facility	$ 353.7	$
Term Loans	1,540.0	1,540.0
Secured Notes	294.8	294.4
Senior Notes	198.0	198.0
Subordinated Notes	1,308.6	1,310.5
Australian Credit Facilities	54.0	50.0
HPS (China) debt	127.0	106.8
Other	81.9	69.1
Total debt	$ 3,958.0	$ 3,568.8
Current portion	$ 451.1	$ 68.5
Long-term portion	3,506.9	3,500.3
Total debt	$ 3,958.0	$ 3,568.8

TRANSACTIONS AFFECTING OUR SENIOR CREDIT FACILITIES

As of September 30, 2008, our senior secured credit facilities ("Senior Credit Facilities") consisted of (i) a $650.0 million revolving facility (the "Revolving Facility") and (ii) a $1,540.0 million term loan B facility (the "Dollar Term Loan"). As of September 30, 2008, there were $353.7 million borrowings outstanding under our Revolving Facility, which is classified as current in the condensed consolidated balance sheets (unaudited), and we had approximately $34.4 million in U.S. dollar equivalents of letters of credit and bank guarantees issued and outstanding under our Revolving Facility. The Revolving Facility matures in the third quarter of 2010 and the Dollar Term Loan matures in 2014; provided however, that the maturities of each will accelerate if we do not repay all but

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

8. DEBT (Continued)

$100 million of our outstanding debt securities on or before three months prior to the maturity dates of such securities. The next maturity date of such securities is in October of 2010.

As of September 30, 2008, borrowings under the Revolving Facility and Dollar Term Loan bore interest at LIBOR plus 1.75%. The applicable interest rate of the Dollar Term Loan is currently set at LIBOR plus 1.75%, subject to a reduction to LIBOR plus 1.50% upon achieving certain secured leverage ratio thresholds defined in our credit agreements. The credit agreements governing our Senior Credit Facilities contain one financial covenant, which is applicable only to the Revolving Facility, and this covenant is only in effect when loans or letters of credit are outstanding under the Revolving Facility. Our Senior Credit Facilities agreements provide for, among other things, customary restrictions and limitations on our ability to incur liens, incur additional debt, merge or sell assets, make certain restricted payments, prepay other indebtedness, make investments or engage in transactions with affiliates, and also contain other customary default provisions.

OTHER TRANSACTIONS AFFECTING OUR DEBT

HPS, our splitting joint venture with Shanghai Chlor-Alkali Chemical Company, Ltd, maintains a working capital line as part of its overall secured credit facilities. In February 2008, HPS borrowed an additional RMB 122.8 million ($18.0 million) to fund its working capital and operating requirements. As of September 30, 2008, HPS had $26.0 million and RMB 688.6 million ($101.0 million) outstanding under its credit facilities.

On June 30, 2008, our subsidiary, Huntsman (UK) Limited, entered into a $125.0 million short term committed revolving credit facility maturing on June 28, 2009 (the "Short Term Revolving Facility"), of which nothing was drawn as of September 30, 2008. The Short Term Revolving Facility is secured, pursuant to the terms of a debenture governed by English law, by all existing and after acquired personal property of Huntsman Holdings (UK) Limited, including certain intercompany notes, some of which are secured in nature. The Short Term Revolving Facility is supported by an unsecured parent company guarantee provided by Huntsman International. At our option, the Short Term Revolving Facility may bear interest at a rate equal to (i) a LIBOR-based eurocurrency rate plus an applicable margin ranging between 3.00% and 4.00%, or with respect to euro denominated loans a EURIBOR- based rate plus an applicable margin ranging between 3.00% and 4.00% or (ii) a prime-based rate plus an applicable margin ranging between 2.00% or 3.00%, depending on the level of borrowings under the facility. The Short Term Revolving Facility contains two financial covenants, including a leverage covenant which is consistent with the Senior Credit Facilities and a minimum tangible net worth covenant. Our Short Term Revolving Facility agreement provides for, among other things, customary restrictions and limitations on our ability to incur liens, incur additional debt, merge or sell assets, prepay other indebtedness, make investments or engage in transactions with affiliates, and also contains other customary default provisions.

During the third quarter of 2008, our other debt increased mainly due to the financing of our insurance premiums in connection with our annual renewal in July 2008. As of September 30, 2008, the amount of the financed insurance premiums was $27.4 million, all of which was classified as current. The insurance premium financing is secured by the unearned insurance premiums.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

8. DEBT (Continued)

The Merger Agreement provides certain restrictions and limitations concerning the amendment of debt agreements, the extension, repayment and refinancing of certain debt, in addition to the incurrence of new debt.

COMPLIANCE WITH COVENANTS

Our management believes that we are in compliance with the financial covenants contained in the agreements governing the Senior Credit Facilities, the Short Term Revolving Facility, the credit facilities maintained by our Australian subsidiaries (the "Australian Credit Facilities"), the A/R Securitization Program (as defined in "Note 10. Securitization of Accounts Receivable") and the indentures governing our notes.

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We may enter into foreign currency derivative instruments to minimize the short-term impact of movements in foreign currency rates. On January 15, 2008, we entered into a series of forward foreign currency contracts in our Pigments segment to partially hedge the impact, for up to one year, of movements in foreign currency rates associated with the purchases of raw materials and sales of pigment in non-functional currencies. As of September 30, 2008, these contracts had a notional amount of approximately $38 million and are designated as cash flow hedges. As of September 30, 2008, these contracts had a fair value of $1.1 million and were recorded in accrued liabilities on the accompanying condensed consolidated balance sheet (unaudited). For the three months ended September 30, 2008, the effective portion of the changes in the fair value of $3.8 million was recorded as expense in other comprehensive income, with ineffectiveness of $0.3 million recorded as a reduction in sales, $0.5 million recorded as a reduction in cost of goods sold and a foreign currency loss of $0.5 million. For the nine months ended September 30, 2008, the effective portion of the changes in the fair value of $0.9 million was recorded as expense in other comprehensive income, with ineffectiveness of $0.1 million recorded as an increase in sales, $1.9 million recorded as a reduction in cost of goods sold and a foreign currency gain of $0.8 million.

As of and for the three and nine months ended September 30, 2008, the fair value and realized gains (losses) of our other outstanding foreign currency rate hedging contracts were not significant.

We have a cross currency interest rate swap pursuant to which we have agreed to swap $152.6 million of LIBOR floating rate debt payments for €115.9 million of EURIBOR floating rate debt payments. During the life of this swap, we will receive floating rate interest (LIBOR) in dollars and we will pay floating rate interest (EURIBOR) in euros. This swap is currently not designated as a hedge for financial reporting purposes. As of September 30, 2008, the fair value of this swap was $13.4 million, net of accrued interest, and was recorded in other noncurrent liabilities in our condensed consolidated balance sheet (unaudited). For the three and nine months ended September 30, 2008, we recorded an unrealized foreign currency gain on this swap of $19.3 million and $6.1 million, respectively, in the condensed consolidated statement of operations (unaudited). On October 24, 2008, we terminated this swap and will recognize a cash benefit of $0.4 million during the fourth quarter of 2008.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

We also have a cross currency interest rate swap pursuant to which we have agreed to swap $95.8 million of LIBOR floating rate debt payments for €70.7 million of EURIBOR floating rate debt payments. During the life of this swap, we will receive floating rate interest (LIBOR) in dollars and we will pay floating rate interest (EURIBOR) in euros. This swap was designated as a hedge of a net investment for financial reporting purposes. As of September 30, 2008, the fair value of this swap was $4.6 million, net of accrued interest, and was recorded in other noncurrent liabilities in our condensed consolidated balance sheet (unaudited). For the three and nine months ended September 30, 2008, the effective portion of the changes in the fair value of $12.1 million and $4.7 million, respectively, was recorded as income in other comprehensive income, with ineffectiveness of $0.6 million and $0.9 million, respectively, recorded in interest expense in the condensed consolidated statement of operations (unaudited). On October 24, 2008, we terminated this swap and will recognize a cash benefit of $3.1 million during the fourth quarter of 2008.

From time to time, we review our non-U.S. dollar-denominated debt and swaps to determine the appropriate amounts designated as hedges. As of September 30, 2008, we have designated approximately €390.7 million of debt and swaps as net investment hedges. As of September 30, 2008, we had approximately €1,073.2 million in net euro-denominated assets.

10. 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). The A/R Securitization Program consists of a commercial paper conduit program with a committed amount of approximately $500 million U.S. dollar equivalents. The A/R Securitization Program matures on April 1, 2009.

As of September 30, 2008, the Receivables Trust had $422.0 million in U.S. dollar equivalents (comprised of $143.0 million and €191.0 million ($279.0 million)) in commercial paper outstanding.

11. FAIR VALUE MEASUREMENTS

We adopted SFAS No. 157 on January 1, 2008. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. In February 2008, the FASB issued FSP No. FAS 157-1 and FAS 157-2, which delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years and removes certain leasing transactions from the scope of SFAS No. 157.

Our derivative instruments, available-for-sale securities and retained interests in securitized receivables are the only assets and liabilities that we record at fair value and that are currently subject

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

11. FAIR VALUE MEASUREMENTS (Continued)

to SFAS No. 157. We remeasure the fair value of these instruments on a recurring basis as follows (dollars in millions):

		Fair Value Amounts Using		
Description	**September 30, 2008**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:				
Available-for-sale securities(2)	$ 12.6	$ 12.6	$	$
Retained interest in securitized receivables(3)	143.9			143.9
Total assets	$ 156.5	$ 12.6	$	$ 143.9
Liabilities:				
Derivatives(1)	$ 20.3	$	$ 20.3	$

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

(2) Using the market approach, the fair value of these securities represents the quoted market price multiplied by the quantity held.

(3) The income approach is used to value these assets. Fair value is based on the present value of expected cash flows, calculated using management's best estimates of key assumptions including credit losses and discount rates commensurate with the risks involved.

Fair Value Measurements Using Level 3	**Three months ended September 30, 2008**	**Nine months ended September 30, 2008**
Balance at beginning of period	$ 171.9	$ 136.4
Total net losses (realized/unrealized) included in earnings	(17.2)	(22.8)
Purchases, issuances and settlements	(10.8)	30.3
Balance at end of period	$ 143.9	$ 143.9
	$ (11.2)	$ (7.2)

The amount of total losses for the period included in earnings attributable to the changes in unrealized gains or losses relating to assets still held at September 30, 2008	

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

11. FAIR VALUE MEASUREMENTS (Continued)

Gains and losses (realized and unrealized) included in earnings for the three and nine months ended September 30, 2008 are reported in loss on accounts receivable program and other income (expense) as follows (dollars in millions):

	Loss on accounts receivable securitization program		Other income (expense)	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2008		September 30, 2008	
Total net losses (realized/unrealized) included in earnings	$ (7.8)	$ (20.6)	$ (9.4)	$ (2.2)
Changes in unrealized losses relating to assets still held at September 30, 2008	$ (1.8)	$ (5.0)	$ (9.4)	$ (2.2)

12. EMPLOYEE BENEFIT PLANS

We adopted certain provisions of SFAS No. 158 on January 1, 2008. Beginning with our fiscal year ended December 31, 2008, SFAS No. 158 requires that the assumptions used to measure our benefit obligations and annual expenses be determined as of the balance sheet date and all plan assets be reported as of that date. We used the second approach as described in paragraph 19 of SFAS No. 158 to transition our measurement date from November 30 to December 31. Under this approach, our Company and Huntsman International recorded a charge to beginning retained earnings, net of tax, of $2.9 million and $3.2 million, respectively, as of January 1, 2008.

Components of the net periodic benefit costs for the three and nine months ended September 30, 2008 and 2007 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,	
	2008	2007	2008	2007
Service cost	$ 17.9	$ 19.8	$ 0.5	$ 1.0
Interest cost	38.6	35.0	2.2	2.1
Expected return on assets	(47.8)	(44.6)		
Amortization of transition obligation	0.4	0.2		
Amortization of prior service cost	(1.4)	(1.8)	(0.5)	(0.7)
Amortization of actuarial loss	0.8	3.6	0.6	0.6
Curtailment gain		(11.1)		(2.3)
Net periodic benefit cost	8.5	1.1	2.8	0.7
Less discontinued operations		10.5		1.4
Net periodic benefit cost from continuing operations	$ 8.5	$ 11.6	$ 2.8	$ 2.1

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

12. EMPLOYEE BENEFIT PLANS (Continued)

	Defined Benefit Plans Nine months ended September 30,		Other Postretirement Benefit Plans Nine months ended September 30,	
	2008	2007	2008	2007
Service cost	$ 55.5	$ 61.4	$ 2.3	$ 3.2
Interest cost	116.3	103.2	6.5	6.9
Expected return on assets	(144.4)	(131.8)		
Amortization of transition obligation	1.1	1.2		
Amortization of prior service cost	(4.2)	(5.2)	(1.7)	(2.1)
Amortization of actuarial loss	2.9	10.0	1.4	2.4
Curtailment gain		(11.1)		(2.3)
Net periodic benefit cost	27.2	27.7	8.5	8.1
Less discontinued operations		7.7		(0.3)
Net periodic benefit cost from continuing operations	$ 27.2	$ 35.4	$ 8.5	$ 7.8

Huntsman International

	Defined Benefit Plans Three months ended September 30,		Other Postretirement Benefit Plans Three months ended September 30,	
	2008	2007	2008	2007
Service cost	$ 17.9	$ 19.8	$ 0.5	$ 1.0
Interest cost	38.6	35.0	2.2	2.1
Expected return on assets	(47.8)	(44.6)		
Amortization of transition obligation	0.4	0.2		
Amortization of prior service cost	(1.4)	(1.8)	(0.5)	(0.7)
Amortization of actuarial loss	2.3	5.1	0.6	0.6
Curtailment gain		(11.1)		(2.3)
Net periodic benefit cost	10.0	2.6	2.8	0.7
Less discontinued operations		10.5		1.4
Net periodic benefit cost from continuing operations	$ 10.0	$ 13.1	$ 2.8	$ 2.1

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

12. EMPLOYEE BENEFIT PLANS (Continued)

	Defined Benefit Plans Nine months ended September 30,		Other Postretirement Benefit Plans Nine months ended September 30,	
	2008	**2007**	**2008**	**2007**
Service cost	$ 55.5	$ 61.4	$ 2.3	$ 3.2
Interest cost	116.3	103.2	6.5	6.9
Expected return on assets	(144.4)	(131.8)		
Amortization of transition obligation	1.1	1.2		
Amortization of prior service cost	(4.2)	(5.2)	(1.7)	(2.1)
Amortization of actuarial loss	7.5	14.9	1.4	2.4
Curtailment gain		(11.1)		(2.3)
Net periodic benefit cost	31.8	32.6	8.5	8.1
Less discontinued operations		7.7		(0.3)
Net periodic benefit cost from continuing operations	$ 31.8	$ 40.3	$ 8.5	$ 7.8

During the nine months ended September 30, 2008 and 2007, we made contributions to our pension and postretirement benefit plans of $84.2 million and $125.6 million, respectively. During the remainder of 2008, we expect to contribute an additional amount of approximately $26 million to these plans.

13. STOCKHOLDERS' EQUITY

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 was February 16, 2008. Accordingly, we recorded dividends payable of $43.1 million and a corresponding charge to net loss available to common stockholders during the year ended December 31, 2005. We paid the final dividend in cash on February 16, 2008. Also on February 16, 2008, the mandatory convertible preferred stock converted, pursuant to its terms, into 12,082,475 shares of our common stock.

COMMON STOCK DIVIDENDS

On March 31, 2008, June 30, 2008, and September 30, 2008 we paid dividends of $23.4 million each, or $0.10 per share each, to common stockholders of record as of March 14, 2008, June 16, 2008 and September 15, 2008, respectively. On March 30, 2007, June 29, 2007 and September 28, 2007, we paid cash dividends of $22.1 million each, or $0.10 per share each, to common stockholders of record as of March 15, 2007, June 15, 2007 and September 15, 2007, respectively.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

14. 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 (loss) income			
			Three months ended September 30,		Nine months ended September 30,	
	September 30, 2008	December 31, 2007	2008	2007	2008	2007
Foreign currency translation adjustments, net of tax of $(3.7) and $4.9 as of September 30, 2008 and December 31, 2007, respectively	$ 336.4	$ 378.6	$(161.4)	$55.9	$(42.2)	$ 92.3
Employee benefit related adjustments, net of tax of $18.7 and $18.5 as of September 30, 2008 and December 31, 2007, respectively	(144.0)	(143.6)	0.5	7.6	(0.4)	12.1
Other comprehensive income (loss) of unconsolidated affiliates	9.1	9.3	(0.3)		(0.2)	2.0
Other	9.6	12.1	(1.6)	(0.6)	(2.5)	(0.6)
Total	$ 211.1	$ 256.4	$(162.8)	$62.9	$(45.3)	$105.8

Huntsman International

	Accumulated other comprehensive income (loss)		Other comprehensive (loss) income			
			Three months ended September 30,		Nine months ended September 30,	
	September 30, 2008	December 31, 2007	2008	2007	2008	2007
Foreign currency translation adjustments, net of tax of $(17.0) and $(8.4) as of September 30, 2008 and December 31, 2007, respectively	$ 335.1	$ 377.5	$(161.7)	$55.3	$(42.4)	$ 91.6
Employee benefit related adjustments, net of tax of $53.4 and $54.5 as of September 30, 2008 and December 31, 2007, respectively	(203.1)	(206.5)	1.8	8.8	3.4	15.7
Other comprehensive income (loss) of unconsolidated affiliates	9.1	9.3	(0.3)		(0.2)	2.0
Other	4.2	6.6	(1.5)	(0.7)	(2.4)	(0.6)
Total	$ 145.3	$ 186.9	$(161.7)	$63.4	$(41.6)	$108.7

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

14. OTHER COMPREHENSIVE INCOME (LOSS) (Continued)

Items of other comprehensive income (loss) of our Company and our unconsolidated 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.

15. EXPENSES ASSOCIATED WITH THE MERGER

Total expenses associated with the Merger were as follows (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2008	**2007**	**2008**	**2007**
Basell Termination Fee	$	$200.0	$	$200.0
Professional fees and other	25.8	5.0	34.8	5.0
Total	$25.8	$205.0	$34.8	$205.0

Expenses associated with the Merger incurred during the three and nine months ended September 30, 2008 were $25.8 million and $34.8 million, respectively, related primarily to professional fees as well as bonuses of $1.8 million to certain members of our board of directors for services related to the Merger. During each of the three and nine months ended September 30, 2007, we recorded $205.0 million related primarily to the Basell termination fee and professional fees.

Prior to entering into the Merger Agreement, we terminated an Agreement and Plan of Merger (the "Basell Agreement") dated June 26, 2007 with Basell and paid Basell a $200 million termination fee required under the terms of the Basell Agreement (the "Basell Termination Fee") during the third quarter of 2007. One-half of the Basell Termination Fee, or $100 million, was reimbursed by Hexion. The $100 million funded by Hexion has been deferred and is recorded in accrued liabilities in the accompanying condensed consolidated balance sheets (unaudited). For more information regarding the Merger, see "Note 1. General Merger Agreement and Related Litigation."

Other costs associated with the Merger Agreement would be payable upon consummation of the Merger and we will recognize these costs if and when the business combination is consummated. The following is a discussion of these costs.

TRANSACTION AND RETENTION BONUSES

Upon consummation of the Merger (the "Closing Date"), certain employees will receive transaction bonuses. A retention bonus has also been offered to certain employees payable upon the earlier of (i) the date that is 12 months following the Closing Date, or (ii) with respect to an employee that is involuntarily terminated prior to the payment of the retention bonus, the date of such employee's termination of employment. With both bonuses, the employee must work until the date the bonus is payable. If paid, these bonuses will total $19.5 million. If the eligible employee terminates employment with our Company voluntarily prior to that date, the bonuses will be forfeited. Furthermore, if the Merger is not consummated, we are not obligated to pay such bonuses.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

15. EXPENSES ASSOCIATED WITH THE MERGER (Continued)

For more information regarding the effect of the Merger on stock-based incentive awards, see "Note 18. Stock-Based Compensation Plans" below.

INVESTMENT BANKING FEES

In connection with the Merger, we have agreed to pay Merrill Lynch a fee of $25 million for its investment banking services, all of which is contingent upon and would be payable upon consummation of the Merger. If, at any time during Merrill Lynch's engagement or the two years thereafter, we receive a break-up fee upon termination of an agreement for the sale of our Company, we will pay Merrill Lynch 5% of any such fee, including any reverse break-up fee payable in connection with the termination of the Merger Agreement.

VOTING AGREEMENT FEES

As of the date of the Merger Agreement, MatlinPatterson was one of our significant shareholders and an affiliate of two of our former directors. Pursuant to a voting agreement in connection with the Merger, we agreed to reimburse MatlinPatterson for up to $13.0 million in additional investment banking fees payable to UBS if the Merger is consummated. If the Merger is not consummated, no such fees will be paid.

16. COMMITMENTS AND CONTINGENCIES

LEGAL MATTERS

Litigation Relating to our Merger with Hexion

For information regarding the Merger and related litigation, see also "Note 1. General Merger Agreement and Related Litigation."

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 the 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, 2008.

During each of the nine months ended September 30, 2008 and September 30, 2007, we did not settle any Discoloration Claims. The two Discoloration Claims unresolved as of September 30, 2008 asserted aggregate damages of €37.7 million ($55.0 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.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

16. COMMITMENTS AND CONTINGENCIES (Continued)

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 nine 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, 2008 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 claims by non-employees of exposure to asbestos while at a facility. In the past, these cases typically have involved multiple plaintiffs bringing actions against multiple defendants, and the complaints have not indicated which plaintiffs were making claims against which defendants, where or how the alleged injuries occurred or what injuries each plaintiff claimed. These facts, which would be central to any estimate of probable loss, generally have been learned only through discovery.

Where a claimant's alleged exposure occurred prior to our ownership of the relevant "premises," the prior owners generally have contractually agreed to retain liability for, and to indemnify us against, asbestos exposure claims. This indemnification is not subject to any time or dollar amount limitations. 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 fourteen-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,	
	2008	**2007**
Unresolved at beginning of period	1,192	1,367
Tendered during period	18	20
Resolved during period(1)	66	180
Unresolved at end of period	1,144	1,207

(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

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

16. COMMITMENTS AND CONTINGENCIES (Continued)

the defense of other entities in such cases and resolves claims involving multiple defendants simultaneously, and that it considers the allocation of settlement amounts, if any, among defendants to be confidential and proprietary. Consequently, we are not able to provide the number of cases resolved with payment by the indemnifying party or the amount of such payments.

We have never made any payments with respect to these cases. As of September 30, 2008, we had an accrued liability of $16.4 million relating to these cases and a corresponding receivable of $16.4 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, 2008.

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, other than a number of cases that were erroneously filed against us due to a clerical error. The cases filed in error have been dismissed.

	Nine Months Ended September 30,	
	2008	**2007**
Unresolved at beginning of period	39	42
Filed during period	4	52
Resolved during period	1	53
Unresolved at end of period	42	41

We paid gross settlement costs for asbestos exposure cases that are not subject to indemnification of nil and $2.6 million during the nine months ended September 30, 2008 and 2007, respectively. 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, 2008.

Antitrust Matters

We have been named as a defendant in civil 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

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

16. COMMITMENTS AND CONTINGENCIES (Continued)

transferring and consolidating cases filed August 23, 2004. Other defendants named in the Polyether Polyols cases are Bayer, BASF, Dow and Lyondell. These cases purport to be brought on behalf of a nationwide class of purchasers of MDI, TDI and polyether polyols. Bayer entered into a classwide settlement agreement with the plaintiffs that was approved by the court. The plaintiffs' motion for class certification was granted on July 28, 2008. Merits discovery is underway and trial has been set for May 3, 2011.

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.

We also have been named as a defendant in a putative class action antitrust suit pending in the Superior Court of California, County of San Francisco, filed on February 15, 2005 that alleges a conspiracy to fix prices of certain rubber and urethane products in California. The other defendants named in the Polyether Polyols cases are also defendants in this case. The California action has been stayed pending disposition of the Polyether Polyols cases.

We have also been named as a defendant in a proposed third amended complaint in a putative class action antitrust suit pending in federal district court in Massachusetts that alleges a conspiracy to fix prices of certain rubber and urethane products. Other proposed new defendants are also defendants in the Polyether Polyols cases. The Massachusetts action has been stayed pending settlement of previously asserted claims against previously named parties. We have filed papers opposing the motion for leave to file a third amended complaint in that action.

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 possibility of loss or range of loss relating to these claims, and therefore we have not accrued a liability for these claims. Nevertheless, we could incur losses due to these claims in the future and those losses could be material.

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 were also served with subpoenas in this matter. We cooperated fully with the investigation, and by letter dated December 16, 2007, the U.S. Department of Justice notified us that its investigation of possible antitrust violations by manufacturers of TDI, MDI and polyether polyols has been closed.

MTBE Litigation

We have been named as a defendant in 11 lawsuits pending in multidistrict litigation in the U.S. District Court for the Southern District of New York alleging liability related to MTBE contamination in groundwater. Four of these cases were filed on March 23, 2007, one was filed on March 28, 2007, three were filed on April 5, 2007, one was filed on January 11, 2008 and two were filed on September 4, 2008. Numerous other companies, including refiners, manufacturers and sellers of

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

16. COMMITMENTS AND CONTINGENCIES (Continued)

gasoline, as well as manufacturers of MTBE, have been named as defendants in these and many other cases currently pending in U.S. courts. The plaintiffs in the eleven cases in which we have been named are municipal water districts and a regional water supply authority that claim that defendants' conduct has caused MTBE contamination of their groundwater. The plaintiffs seek injunctive relief, such as monitoring and abatement, compensatory damages, punitive damages and attorney fees. At this time, we have insufficient information to meaningfully assess our potential exposure in these cases and therefore we have not accrued a liability for these claims. We believe that our liability in these cases, if any, would likely be covered, at least in part, by insurance and/or by indemnity agreements with prior owners.

Shareholder Litigation Relating to the Pending Sale of Our Company

From July 5 to July 13, 2007, four shareholder class action complaints were filed against our Company and our directors alleging breaches of fiduciary duty in connection with our then-proposed sale to Basell and the receipt of a superior proposal from Hexion. Three actions were filed in Delaware: Cohen v. Archibald, et al., No. 3070, in the Court of Chancery for the State of Delaware (filed July 5, 2007); Augenstein v. Archibald, et al., No. 3076, in the Court of Chancery for the State of Delaware (filed July 9, 2007); and Murphy v. Huntsman, et al., No. 3094, in the Court of Chancery for the State of Delaware (filed July 13, 2007). Another action was filed in Texas: Schwoegler v. Huntsman Corporation, et al., Cause No. 07-07-06993-CV, in the 9th Judicial District Court of Montgomery County, Texas (filed July 6, 2007). As subsequently amended, these lawsuits together allege that we and our directors breached fiduciary duties to the stockholders by, among other things, engaging in an unfair sales process, approving an unfair price per share for the Merger with Hexion, and making inadequate disclosures to stockholders, and that Basell, Hexion and MatlinPatterson entities aided and abetted these breaches of fiduciary duty. The lawsuits sought to enjoin the stockholder vote on the Merger.

On September 20, 2007, the parties entered into a Memorandum of Understanding with plaintiffs' counsel in the Delaware and Texas actions to settle these four lawsuits. As part of the proposed settlement, the defendants deny all allegations of wrongdoing, but we agreed to make certain additional disclosures in the final proxy statement that was mailed to our stockholders on or about September 14, 2007. In connection with the settlement, the parties also reached an agreement with respect to any application that the plaintiffs' counsel will make for an award of customary attorneys' fees and expenses to be paid following the completion of the Merger. The settlement is subject to customary conditions, including court approval of the terms of the settlement following notice to members of the proposed settlement class. If finally approved by the court, the settlement will resolve all claims that were brought on behalf of the proposed settlement class in connection with the Merger, the Merger Agreement, the adequacy of the merger consideration, the negotiations preceding the Merger Agreement, the adequacy and completeness of the disclosures made in connection with the Merger, and any actions of the individual defendants in the events listed above, including any alleged breach of fiduciary duties by any of the defendants, or the aiding and abetting thereof. The settlement will not affect stockholders' appraisal rights, if available, pursuant to Section 262 of the General Corporation Law of the State of Delaware.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

16. COMMITMENTS AND CONTINGENCIES (Continued)

The Memorandum of Understanding will be null and void and of no force and effect if the Merger is not consummated, the Delaware actions are not dismissed or the Texas court does not give final approval of the settlement and dismiss the Texas action with prejudice for any reason.

The settlement will not affect the timing of the Merger or the amount of the merger consideration to be paid in the Merger. Under the terms of the Memorandum of Understanding, the terms of the proposed settlement will not be presented to the court for approval until the Merger is consummated.

Port Arthur Plant Fire Insurance Litigation

On August 31, 2007, an action was brought against our Company and International Risk Insurance Company ("IRIC"), our captive insurer, in the United States District Court for the Southern District of Texas, by seventeen reinsurance companies (the "Reinsurers") that reinsure risks under the property insurance policy issued by IRIC to our Company (the "Policy") for the period covering the April 29, 2006 fire at our manufacturing facility in Port Arthur, Texas. The action seeks to compel our Company and IRIC to arbitrate with the Reinsurers to resolve disputes related to the claim for losses caused by the fire or, in the alternative, to declare judgment in favor of the Reinsurers. On September 26, 2008, the court denied motions to dismiss filed by our Company and IRIC, ordering the parties to engage in a short period of discovery on the issue of arbitrability. In a second and related action filed by our Company against IRIC in state court in Jefferson County, Texas, IRIC filed a third party petition against the Reinsurers, who then removed that action to the United States District Court for the Eastern District of Texas. Some of the Reinsurers filed answers and motions to compel arbitration, to stay these proceedings, and to change venue to the United States District Court for the Southern District of Texas in order to consolidate the two actions. Our Company filed a motion to remand that action to the state court and opposition to the Reinsurers' motions in that action. On April 23, 2008, the United States District Court for the Eastern District of Texas transferred the case to the United States District Court for the Southern District of Texas. On September 26, 2008, the court denied our Company's motion to remand that suit to the state court in which it was filed. Our Company has paid its deductible on the claim of $60 million and has been advanced $325.0 million to date (of which $20.0 million was advanced during the nine months ended September 30, 2008) by the Reinsurers. Our Company has claimed an additional approximately $275 million as presently due and owing and unpaid under the Policy for losses caused by the fire, and anticipates filing additional claims. For more information, see "Note 19. Casualty Losses and Insurance Recoveries Port Arthur, Texas Plant Fire."

Other Proceedings

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

GUARANTEES

In January 2003, Huntsman International entered into two related joint venture agreements to build MDI production facilities near Shanghai, China. SLIC, our manufacturing joint venture with

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

16. COMMITMENTS AND CONTINGENCIES (Continued)

BASF AG and three Chinese chemical companies, operates three plants that manufacture MNB, aniline and crude MDI. We indirectly own 35% of SLIC and it is an unconsolidated affiliate.

On September 19, 2003, SLIC obtained secured financing for the construction of production facilities. SLIC obtained various committed loans in the aggregate amount of approximately $230 million in U.S. dollar equivalents. As of September 30, 2008, there were $74.5 million and RMB 921.4 million ($135.1 million) in outstanding borrowings under these facilities. The interest rate on these facilities is LIBOR plus 0.48% for U.S. dollar borrowings and 90% of the Peoples Bank of China rate for RMB borrowings. The loans are secured by substantially all the assets of SLIC and will be paid in 16 semiannual installments (of which 13 installments remain), which began on June 30, 2007. We unconditionally guarantee 35% of any amounts due and unpaid by SLIC under the loans described above (except for the VAT facility which is not guaranteed). Our guarantee remains in effect until SLIC has met certain conditions. The conditions outstanding include completion of the building and equipment mortgage registrations, which are progressing as planned, and maintaining a debt service coverage ratio of at least 1:1 at the time such registrations are completed. We have estimated that the fair value of this guarantee was nil as of the closing of the transaction and, accordingly, no amounts have been recorded.

17. 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 or safety 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 liabilities. Moreover, changes in environmental or safety regulations could inhibit or interrupt our operations, or require us to modify our facilities or operations. Accordingly, environmental or other regulatory requirements 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.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

17. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

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, 2008 and 2007, our capital expenditures for EHS matters totaled $38.7 million and $42.2 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.

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. We have been notified by third parties of claims against us for cleanup liabilities at 11 former facilities or third party sites, including, but not limited to, sites listed under CERCLA. Based on current information and past experiences at other CERCLA sites, we do not expect any of these third party claims to result in material liability to us. Recently, Huntsman Advanced Materials received notice from the U.S. Department of Agriculture that the North Maybe Canyon Superfund site near Soda Springs, Idaho (a Huntsman Polymers Corporation legacy site) will require a Remedial Investigation/Feasibility Study ("RI/FS"). The current lease holders of the site have been doing a site investigation since 2004. We have initiated settlement negotiations on a RI/FS with the Department of Agriculture regarding the limited part of the North Maybe Mine in which our predecessor in interest was involved. We continue to believe, based on known facts, that our liability at the site will not be material. We also recently received a Notice of Liability and De Minimis Settlement Offer from the U.S. Environmental Protection Agency concerning the Malone Service Company Superfund site, Texas City, Texas. Based upon the settlement offer, it appears that our liability at that site will not be material.

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. Some of our manufacturing sites have an extended history of industrial chemical manufacturing and use, including on-site waste disposal. We are aware of soil, groundwater or surface contamination from past operations at some of our sites, and we may find contamination at other sites in the future. For example, our Port Neches, Texas and Geismar, Louisiana facilities are the subject of ongoing remediation requirements under RCRA authority.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

17. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

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

By letter dated March 7, 2006, our Base Chemicals and Polymers facility in West Footscray, Australia was issued a clean-up notice by the Australian (Victorian) EPA. The agency was concerned about soil and groundwater contamination emanating from the site. Although we fulfilled all initial requirements under the clean-up notice, the agency revoked the original clean-up notice on September 4, 2007 and issued a revised clean-up notice granting an extension due to "the complexity of contamination issues" at the site. The revised clean-up notice reflects a more detailed program, with a deadline for the submission of a detailed site remediation action plan by March 31, 2009.

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

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.

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 and are discounted when supported by applicable accounting principles. The environmental liabilities do not include amounts recorded as asset retirement obligations. We have accrued $7.9 million and $7.2 million for environmental liabilities as of September 30, 2008 and December 31, 2007, respectively. Of these amounts, $4.3 million and $4.6 million are classified as accrued liabilities in our condensed consolidated balance sheets (unaudited) as of September 30, 2008 and December 31, 2007, respectively, and $3.6 million and $2.6 million are classified as other noncurrent liabilities in our condensed consolidated balance sheets

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

17. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

(unaudited) as of September 30, 2008 and December 31, 2007, 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 EU's 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 December 2006, the EU parliament and EU council approved a new EU regulatory framework for chemicals called "REACH" (Registration, Evaluation and Authorization of Chemicals). REACH took effect on June 1, 2007, and the program it establishes will be phased in over 11 years. Under the regulation, companies that manufacture or import more than one ton of a chemical substance per year will be required to register such chemical substances and isolated intermediates in a central database. Use authorizations will be granted for a specific chemical if the applicants can show that any risk in using the chemical can be adequately controlled or, where there are no suitable alternatives available, if the applicant can demonstrate that the social and economic benefits of using the chemical outweigh the risks. In addition, specified uses of some hazardous substances may be restricted. Furthermore, all applicants will have to study the availability of alternative chemicals. If an alternative is available, an applicant will have to submit a "substitution" plan to the regulatory agency. The regulatory agency will only authorize persistent bio-accumulative and toxic substances if an alternative chemical is not available. The registration, evaluation and authorization phases of the program will require expenditures and resource commitments in order to, for example, 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 purchased, manufactured or imported by or for us into the EU. Our pre-registration REACH compliance began on June 1, 2008, utilizing internal resources at nominal expense. This process must be completed by November 30, 2008. By the deadline, all chemical substances either manufactured or imported into Europe must be pre-registered or removed from the marketplace. At September 30, 2008, 95% of all our raw materials were confirmed to be pre-registered by suppliers and 49% of all our products had been pre-registered. The process of pre-registering all products that we manufacture or import into Europe is currently on schedule for completion by the November 30 deadline. Although the total long-term cost for REACH compliance is not estimable at this time, we spent approximately $3 million on REACH compliance in 2007 and approximately $2 million during the nine months ended September 30, 2008.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

17. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

GREENHOUSE GAS REGULATION

In the EU and other jurisdictions committed to compliance with the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the "Convention"), there is an increasing likelihood that our manufacturing sites will be affected in some way over the next few years by regulation or taxation of greenhouse gas ("GHG") emissions. In addition, although the U.S. is not a signatory to the Convention, several states, including California, are implementing their own GHG regulatory programs and a federal program in the U.S. is a possibility for the future. Several of our sites are subject to existing GHG legislation, but few have experienced or anticipate significant cost increases as a result, although it is likely that GHG emission restrictions will increase over time. Potential consequences of such restrictions include capital requirements to modify assets used to meet GHG restriction and/or increases in energy costs above the level of general inflation, as well as direct compliance costs. Currently, however, it is not possible to estimate the likely financial impact of potential future regulation on any of our sites.

CHEMICAL FACILITY ANTI-TERRORISM RULEMAKING

As required by the Homeland Security Appropriations Act of 2006, on April 9, 2007, the Department of Homeland Security (the "DHS") issued the Chemical Facility Anti-Terrorism Standards or "CFATS", an interim final rule establishing risk-based performance standards for the chemical industry. The majority of the standards went into effect on June 8, 2007 and require security vulnerability assessments ("SVAs") and site security plans for facilities qualifying as high risk.

Since 2003, we have conducted SVAs at our higher risk manufacturing facilities in the U.S. using American Chemical Council protocols. Those assessments led to changes in our operations in certain instances in an effort to ensure greater security. However, not all of our facilities, including some of our recently acquired sites, have been assessed. A second round of SVAs under the CFATS regime will be based on the DHS list of "Chemicals of Interest" ("Appendix A") released on November 2, 2007 and will consider the volume of on-site chemicals, proximity of neighbors to a facility and other factors. Three of our operating locations with Appendix A chemicals that met the volume thresholds have completed SVAs to date. We are scheduled to conduct the two remaining DHS-required SVAs before the end of 2008. We believe that the cost to perform the SVAs will be nominal, and that the anticipated cost to implement any recommendations will not be material.

MTBE DEVELOPMENTS

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

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

17. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

require significant capital expenditures and the sale of such other products may produce a lower level of cash flow than that historically produced from the sale of MTBE.

Numerous companies, including refiners, manufacturers and sellers of gasoline, as well as manufacturers of MTBE, have been named as defendants in approximately 150 cases currently pending in U.S. courts that allege MTBE contamination in groundwater. We have been named as a defendant in eleven of those lawsuits. For more information, see "Note 16. Commitment and Contingencies Legal Matters MTBE Litigation." The plaintiffs in the MTBE groundwater contamination cases generally seek compensatory damages, punitive damages, injunctive relief, such as monitoring and abatement, and attorney fees. We currently have insufficient information to meaningfully assess our potential exposure in these cases. We believe that some of our liability in these cases, if any, is likely covered by insurance and/or indemnity agreements with prior owners. It is possible that we could be named as a defendant in additional existing or future MTBE contamination cases. We cannot provide assurances that adverse results against us in existing or future MTBE contamination cases will not have a material adverse effect on our business, results of operations and financial position.

18. 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, 2008, 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 ratably over a three-year period.

Under the Merger Agreement, we have agreed, among other things, that we will not grant or issue any capital stock or equity interests, other than (i) the issuance of common stock upon the exercise of stock options granted under the Stock Incentive Plan and outstanding on the date of the Merger Agreement, (ii) upon the expiration of any restrictions on any restricted stock granted under the Stock Incentive Plan and outstanding on the date of the Merger Agreement or issued in compliance with the Merger Agreement, and (iii) issuances of restricted stock or phantom stock granted after February 15, 2008 under the Stock Incentive Plan to employees and directors in amounts consistent with past practice or pursuant to action taken by our board of directors (or a committee thereof) and in aggregate not covering more than 600,000 shares of common stock, 50% of which will become fully vested and convert into the right to receive the merger consideration upon the effective time of the Merger and 50% of which will become fully vested and convert into the right to receive the merger consideration six months following the consummation of the Merger. If the Merger is not consummated, the restricted stock and phantom stock granted during 2008 will vest ratably over a three-year period from the grant date.

Upon consummation of the Merger, the restrictions applicable to each share of restricted common stock (including common stock underlying restricted stock units and phantom stock) issued or granted pursuant to the Stock Incentive Plan shall immediately lapse, and, at the effective time of the Merger,

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

18. STOCK-BASED COMPENSATION PLANS (Continued)

each share of such common stock, restricted stock units and phantom stock will be converted into the right to receive the merger consideration. All options to acquire shares of common stock outstanding under the Stock Incentive Plan will vest immediately prior to the effective time of the Merger, and holders of such options will be entitled to receive an amount in cash equal to the excess, if any, of the merger consideration over the exercise price per share of common stock for each option. Any incremental compensation cost that may result from the acceleration of vesting of stock-based awards in connection with the Merger will be recognized when the Merger is consummated.

The compensation cost from continuing operations for the Stock Incentive Plan was $4.5 million and $6.1 million for the three months ended September 30, 2008 and 2007, respectively, and $15.7 million and $17.4 million for the nine months ended September 30, 2008 and 2007, respectively. The total income tax benefit recognized in the statement of operations for stock-based compensation arrangements was $4.9 million and $5.4 million for the nine months ended September 30, 2008 and 2007, respectively.

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 became a publicly-held company in February 2005, expected volatilities are based on implied volatilities from the stock of comparable companies and other factors. 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,	
	2008	2007	2008	2007
Dividend yield	NA	NA	NA	1.9%
Expected volatility	NA	NA	NA	20.8%
Risk-free interest rate	NA	NA	NA	4.7%
Expected life of stock options granted during the period	NA	NA	NA	6.6 years

During the three and nine months ended September 30, 2008 and the three months ended September 30, 2007, no stock options were granted.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

18. STOCK-BASED COMPENSATION PLANS (Continued)

STOCK OPTIONS

A summary of stock option activity under the Stock Incentive Plan as of September 30, 2008 and changes during the nine months then ended is presented below:

Option Awards	Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2008	6,327	$ 21.32		
Granted				
Exercised				
Forfeited	(141)	20.86		
Outstanding at September 30, 2008	6,186	21.33	7.4	$
Exercisable at September 30, 2008	4,176	21.72	7.1	

As of September 30, 2008, there was $6.8 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 0.9 years.

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, 2008 and changes during the nine months then ended is presented below:

	Equity Awards		Liability Awards	
	Shares (in thousands)	Weighted Average Grant Date Fair Value	Shares (in thousands)	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2008	1,007	$ 21.12	145	$ 20.76
Granted	492	24.56	108	24.56
Vested	(537)(1)	21.59	(58)	21.03
Forfeited	(32)	22.37	(18)	22.50
Nonvested at September 30, 2008	930	22.62	177	22.82

(1) During the nine months ended September 30, 2008, 10,278 restricted stock units vested. Vested restricted stock units are not reflected as vested shares in this table because, in accordance with the restricted stock unit agreements, shares of common stock are not issued for vested restricted stock units until termination of employment.

As of September 30, 2008, there was $16.7 million of total unrecognized compensation cost related to nonvested share compensation arrangements granted under the Stock Incentive Plan. That cost is

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

18. STOCK-BASED COMPENSATION PLANS (Continued)

expected to be recognized over a weighted-average period of approximately 1.8 years. The total fair value of shares that vested during the nine months ended September 30, 2008 and 2007 was $13.2 million and $8.7 million, respectively.

19. CASUALTY LOSSES AND INSURANCE RECOVERIES

PORT ARTHUR, TEXAS PLANT FIRE

On April 29, 2006, our Port Arthur, Texas olefins manufacturing plant (which we sold in November 2007) experienced a major fire. With the exception of cyclohexane operations at the site, which were restarted in June 2006, the operations at the site were shutdown until the fourth quarter of 2007. The Port Arthur manufacturing plant is covered by property damage and business interruption insurance. With respect to coverage for this outage, the deductible for property damage is $10.0 million and business interruption coverage does not apply for the first 60 days, subject to a combined deductible for property damage and business interruption of $60.0 million.

Through September 30, 2008, we have received partial recovery advances totaling $325.0 million. We have recorded $190.2 million of repair and maintenance costs and fixed costs incurred during the business interruption period against the $325.0 million of partial recovery advances resulting in a deferred insurance recovery gain of $134.8 million. We have claimed an additional approximately $275 million as presently due and owing and unpaid under the insurance policy for losses caused by the fire, and anticipate filing additional claims. The Reinsurers have failed to process additional requests for interim claim recovery advances pending their further review and adjusting of the overall claim. On August 31, 2007, the Reinsurers filed suit against us and IRIC, our captive insurance company, in the United States District Court for the Southern District of Texas seeking to compel arbitration of certain disputed claims or alternatively seeking a declaratory judgment on disputed claims. See "Note 16. Commitment and Contingencies Legal Matters Port Arthur Plant Fire Insurance Litigation."

During the nine months ended September 30, 2008, we incurred expenditures related to the fire of $2.4 million that were charged to the deferred recovery gain. As of September 30, 2008, the deferred insurance recovery gain was included in accrued liabilities on the accompanying condensed consolidated balance sheet (unaudited).

Future insurance recovery advances, if any, in excess of accrued fixed costs and other expenses relating to the damaged facilities will be recorded as a deferred gain, and any remaining deferred gains associated with this event will not be recognized in our consolidated statements of operations until final settlement is reached with our insurance carriers.

2005 U.S. GULF COAST STORMS

On September 22, 2005, we sustained property damage at our Port Neches and Port Arthur, Texas facilities as a result of a hurricane. We maintain customary insurance coverage for property damage and business interruption. With respect to coverage of these losses, the deductible for property damage was $10.0 million per site, while business interruption coverage does not apply for the first 60 days.

During 2006 and 2007, we recorded insurance recoveries of $37.5 million related to the Gulf Coast storms. We and our insurers are working to reach a settlement on the remainder of the insurance claim, and we can provide no assurance with respect to the ultimate resolution of this matter. Any future collections will represent income for us upon final settlement.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

20. 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 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.

On April 12, 2007, we received a Revenue Agent Report from the Internal Revenue Service ("IRS") related to the examination of our federal income tax returns for the years 2002 through 2004. The IRS initially proposed a decrease to our net operating losses of approximately $387 million related to transactions completed in 2002. However, on January 5, 2008, we were notified by the IRS that no adjustment would be made to our net operating loss for this disputed item. As a result of the settlement of this audit cycle and the effective settlement of two uncertain tax positions in other countries, during the nine months ended September 30, 2008, we recorded a decrease in unrecognized tax benefits and a corresponding income tax benefit of $18.4 million.

We believe it is reasonably possible that certain of our non-U.S. audits could be resolved within 12 months of September 30, 2008. If such resolutions were to occur, our unrecognized tax benefits could decrease by up to $45 million with a corresponding benefit to our income tax expense of up to $38 million, dependent upon the nature of the resolutions and the interactions with other corporate events including the potential need for the establishment of valuation allowances. None of these resolutions to our non-U.S. audits would result in any immediate cash benefits to our Company.

Huntsman Corporation

We recorded income tax expense of $42.3 million for the nine months ended September 30, 2008 and income tax benefit of $8.7 million for the nine months ended September 30, 2007.

Merger-related costs of $34.8 million are included in income from continuing operations before income taxes for financial reporting purposes for the nine months ended September 30, 2008. The Merger-related costs do not receive a tax benefit because such costs are not deductible for income tax purposes. See "Note 15. Expenses Associated with the Merger."

Excluding the Merger-related costs, our effective income tax rate was 53% for the nine months ended September 30, 2008, which is higher than the U.S. statutory rate of 35% primarily due to our mix of earnings including income in tax jurisdictions with higher statutory rates and losses in tax jurisdictions which do not record tax benefits due to valuation allowances, partially offset by the benefit for the decrease in unrecognized tax benefits during the year. Our effective income tax rate was 18% for the nine months ended September 30, 2007 and excluding items specific to that period (net non-recurring benefits related to changes in tax rates, the release of certain valuation allowances and the reversal of certain tax contingencies) would have been 26%, which is 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, losses in tax jurisdictions where we recognize tax benefits, and earnings in tax jurisdictions with lower statutory rates. Our effective tax rate increased largely due to our mix of earnings including losses in jurisdictions where we have valuation allowances and do not record a tax benefit.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

20. INCOME TAXES (Continued)

Huntsman International

Huntsman International recorded income tax expense of $47.0 million and $40.2 million for the nine months ended September 30, 2008 and 2007, respectively.

Huntsman International's effective income tax rate was 51% for the nine months ended September 30, 2008, which is higher than the U.S. statutory rate of 35% primarily due to its mix of earnings including income in tax jurisdictions with higher statutory rates and losses in tax jurisdictions which do not record tax benefits due to valuation allowances, partially offset by the benefit for the decrease in unrecognized tax benefits during the year. Huntsman International's effective income tax rate was 24% for the nine months ended September 30, 2007 and excluding items specific to that period (net non-recurring benefits related to changes in tax rates, the release of certain valuation allowances and the reversal of certain tax contingencies) would have been 32%, which is lower than the U.S. statutory rate of 35% primarily due to our mix of earnings in tax jurisdictions with lower statutory rates and losses in tax jurisdictions where we recognize tax benefits. Huntsman International's effective tax rate increased largely due to our mix of earnings including losses in jurisdictions where we have valuation allowances and do not record a tax benefit.

21. 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 per share reflects potential dilution and is computed by dividing net income 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. On February 16, 2008, the mandatory convertible preferred stock converted into 12,082,475 shares of our common stock.

Basic and diluted income (loss) weighted average shares are determined as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Weighted average shares outstanding	233,553,196	221,032,365	231,434,937	220,918,940
Dilutive securities:				
Stock-based awards				
Preferred stock conversion				
Total dilutive shares outstanding assuming conversion	233,553,196	221,032,365	231,434,937	220,918,940

Additional stock-based awards of 7,379,152 and 7,482,943 weighted average equivalent shares of stock were outstanding during the three months ended September 30, 2008 and 2007, respectively, and additional stock-based awards of 7,420,795 and 7,050,310 weighted average equivalent shares of stock were outstanding during the nine months ended September 30, 2008 and 2007, respectively. In addition, the preferred stock would have had a weighted average effect of 2,035,875 shares of common stock for the nine months ended September 30, 2008, and it would have converted into 11,072,967 shares of common stock for the three and nine months ended September 30, 2007. However, these stock-based

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

21. NET INCOME (LOSS) PER SHARE (Continued)

awards and the potential effects of the preferred stock conversion were not included in the computation of diluted earnings per share because the effect would be anti-dilutive.

22. OPERATING SEGMENT INFORMATION

We report our operations in six 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, PO, polyols, PG, TPU, aniline and MTBE
Materials and Effects	epoxy resin compounds and formulations; cross-linking, matting and curing agents; epoxy, acrylic and polyurethane-based adhesives, tooling resin formulations, textile chemicals and dyes, and APAO
Performance Products	amines, surfactants, LAB, maleic anhydride, other performance chemicals, EG, olefins and technology licenses
Pigments	titanium dioxide
Polymers(1)	LDPE and LLDPE, polypropylene, and EPS
Base Chemicals(1)(2)	olefins and cyclohexane
Corporate and Other(2)	styrene

(1) In a series of transactions completed in 2006 and 2007, we sold substantially all of our Polymers and Base Chemicals operations. For more information, see "Note 3. Discontinued Operations."

(2) Effective in the fourth quarter of 2007, the results of our former U.S. butadiene and MTBE business were reported in Corporate and Other. These results were previously reported in our Base Chemicals segment. All segment information has been reclassified to reflect this transfer.

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

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

22. OPERATING SEGMENT INFORMATION (Continued)

Company as a whole. The revenues and EBITDA for each of our reportable operating segments are as follows (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Net Sales:				
Polyurethanes	$1,096.0	$ 974.4	$3,258.6	$2,824.6
Materials and Effects	614.0	594.9	1,925.2	1,806.0
Performance Products	740.7	590.2	2,097.1	1,690.5
Pigments	279.8	271.1	885.7	834.5
Corporate and Other(2)	43.6	40.2	126.5	112.8
Eliminations	(43.6)	(47.0)	(126.5)	(121.5)
Total	$2,730.5	$2,423.8	$8,166.6	$7,146.9
Huntsman Corporation:				
Segment EBITDA(1):				
Polyurethanes	$ 89.3	$ 172.8	$ 368.8	$ 449.7
Materials and Effects	46.2	48.6	135.3	158.2
Performance Products	81.0	48.0	184.5	153.3
Pigments	15.2	(0.4)	32.9	45.0
Corporate and Other(2)	(68.0)	(258.7)	(184.4)	(358.9)
Subtotal	163.7	10.3	537.1	447.3
Polymers(3)		12.0	3.9	(194.5)
Base Chemicals(3)	1.3	(14.4)	3.7	19.7
Total	165.0	7.9	544.7	272.5
Interest expense, net	(68.2)	(71.5)	(198.5)	(215.3)
Income tax (expense) benefit continuing operations	(17.7)	13.1	(42.3)	8.7
Income tax (expense) benefit discontinued operations	(0.5)	(3.2)	(3.0)	73.1
Depreciation and amortization	(98.8)	(96.3)	(290.1)	(313.3)
Net (loss) income	$ (20.2)	$ (150.0)	$ 10.8	$ (174.3)
Huntsman International:				
Segment EBITDA(1):				
Polyurethanes	$ 89.3	$ 172.8	$ 368.8	$ 449.7
Materials and Effects	46.2	48.6	135.3	158.2
Performance Products	81.0	48.0	184.5	153.3
Pigments	15.2	(0.4)	32.9	45.0
Corporate and Other(2)	(43.0)	(55.1)	(154.3)	(158.9)
Subtotal	188.7	213.9	567.2	647.3
Polymers(3)		12.0	3.9	(194.5)

Base Chemicals(3)	1.3	(14.4)	3.7	19.7
Total	190.0	211.5	574.8	472.5
Interest expense, net	(68.3)	(71.8)	(198.8)	(216.2)
Income tax (expense) benefit continuing operations	(18.8)	1.9	(47.0)	(40.2)
Income tax (expense) benefit discontinued operations	(0.5)	(3.2)	(3.0)	73.1
Depreciation and amortization	(92.9)	(90.6)	(272.9)	(296.2)
Net income (loss)	$ 9.5	$ 47.8	$ 53.1	$ (7.0)

(1) Segment EBITDA is defined as net income (loss) before interest, income tax, depreciation and amortization, and certain Corporate and Other items.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

22. OPERATING SEGMENT INFORMATION (Continued)

(2) Corporate and Other includes unallocated corporate overhead, loss on sale of accounts receivable, foreign exchange gains or losses, step accounting impacts, our Australian styrenics business, results of our former U.S. butadiene and MTBE business and other non-operating income (expense).

(3) The operating results of our polymers and base chemicals businesses are classified as discontinued operations, and, accordingly, the revenues of these businesses are excluded for all periods presented. The EBITDA of our polymers business is included in the Polymers segment EBITDA and the EBITDA of our base chemicals business is included in the Base Chemicals segment EBITDA for all periods presented. For more information, see "Note 3. Discontinued Operations."

23. CONDENSED CONSOLIDATING FINANCIAL INFORMATION OF HUNTSMAN INTERNATIONAL LLC (UNAUDITED)

The following condensed consolidating financial information (unaudited) of Huntsman International presents, in separate columns, financial information for the following: Huntsman International (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, 2008 and December 31, 2007 and for the three and nine months ended September 30, 2008 and 2007. There are no contractual restrictions limiting transfers of cash from Huntsman International's guarantors to Huntsman International. Each Huntsman International guarantor is 100% owned by Huntsman International and has fully and unconditionally guaranteed Huntsman International's debt on a joint and several basis.

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEETS (UNAUDITED)

AS OF SEPTEMBER 30, 2008

(Dollars in Millions)

	Parent Company	Guarantors	Nonguarantors	Eliminations	Consolidated Huntsman International LLC
ASSETS					
Current assets:					
Cash and cash equivalents	$ 0.8	$ 2.0	$ 104.3	$	$ 107.1
Restricted cash			5.9		5.9
Accounts and notes receivables, net	31.6	181.3	1,072.1	0.1	1,285.1
Accounts receivable from affiliates	656.9	1,869.8	105.3	(2,338.8)	293.2
Inventories, net	93.4	217.7	1,237.5	(7.5)	1,541.1
Prepaid expenses	14.9	37.9	25.9	(25.4)	53.3
Deferred income taxes	7.1	47.7	17.8	1.5	74.1
Other current assets	0.3	0.8	92.8		93.9
Total current assets	805.0	2,357.2	2,661.6	(2,370.1)	3,453.7
Property, plant and equipment, net	470.3	914.3	2,208.5	2.6	3,595.7
Investment in affiliates	5,491.6	1,479.9	114.4	(6,819.5)	266.4
Intangible assets, net	109.2	0.2	54.2		163.6
Goodwill		87.1	9.5	(4.1)	92.5
Deferred income taxes	125.1	14.5	206.0	(37.3)	308.3
Notes receivables from affiliates	542.3	1,920.3	8.7	(2,462.6)	8.7
Other noncurrent assets	54.0	148.7	357.9		560.6
Total assets	$ 7,597.5	$ 6,922.2	$ 5,620.8	$ (11,691.0)	$ 8,449.5
LIABILITIES AND MEMBERS' EQUITY					
Current liabilities:					
Accounts payable	$ 28.0	$ 191.3	$ 756.3	$	$ 975.6
Accounts payable to affiliates	1,671.6	259.6	421.2	(2,338.8)	13.6
Accrued liabilities	108.5	227.6	465.0	(25.4)	775.7
Deferred income taxes			3.2		3.2
Current portion of long-term debt	397.1		54.0		451.1
Total current liabilities	2,205.2	678.5	1,699.7	(2,364.2)	2,219.2
Long-term debt	3,325.7	2.5	178.7		3,506.9
Deferred income taxes	2.2	90.2	104.9	(35.9)	161.4
Notes payable to affiliates		501.3	1,965.6	(2,462.5)	4.4
Other noncurrent liabilities	151.4	118.9	341.5	(0.7)	611.1
Total liabilities	5,684.5	1,391.4	4,290.4	(4,863.3)	6,503.0
Minority interest in consolidated subsidiaries		0.5	25.7	7.3	33.5
Members' equity:					
Members' equity	2,861.0	4,766.7	1,307.3	(6,074.0)	2,861.0
Subsidiary preferred stock		1.4	1.4	(2.8)	
(Accumulated deficit) retained earnings	(1,093.3)	410.1	(23.8)	(386.3)	(1,093.3)
Accumulated other comprehensive income	145.3	352.1	19.8	(371.9)	145.3
Total members' equity	1,913.0	5,530.3	1,304.7	(6,835.0)	1,913.0

Total liabilities and members' equity	$ 7,597.5	$ 6,922.2	$ 5,620.8	$ (11,691.0)	$ 8,449.5

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEETS (UNAUDITED)

AS OF DECEMBER 31, 2007

(Dollars in Millions)

	Parent Company	Guarantors	Nonguarantors	Eliminations	Consolidated Huntsman International LLC
ASSETS					
Current assets:					
Cash and cash equivalents	$ 11.3	$ 5.7	$ 136.9	$	$ 153.9
Accounts and notes receivables, net	29.9	212.4	1,011.0		1,253.3
Accounts receivable from affiliates	1,527.9	2,438.6	532.1	(4,305.5)	193.1
Inventories, net	96.1	233.7	1,130.4	(8.3)	1,451.9
Prepaid expenses	5.9	26.5	24.3	(19.6)	37.1
Deferred income taxes	9.3	45.6	18.1	1.4	74.4
Other current assets	9.8	1.1	101.8		112.7
Total current assets	1,690.2	2,963.6	2,954.6	(4,332.0)	3,276.4
Property, plant and equipment, net	471.0	837.6	2,244.9	2.8	3,556.3
Investment in affiliates	5,345.1	1,597.3	114.9	(6,829.5)	227.8
Intangible assets, net	127.8	1.8	47.8		177.4
Goodwill		87.1	9.5	(4.1)	92.5
Deferred income taxes	85.1	16.6	210.9	(12.6)	300.0
Notes receivables from affiliates	517.7	1,726.5	8.4	(2,244.2)	8.4
Other noncurrent assets	57.1	97.8	301.4		456.3
Total assets	$ 8,294.0	$ 7,328.3	$ 5,892.4	$ (13,419.6)	$ 8,095.1
LIABILITIES AND MEMBERS' EQUITY					
Current liabilities:					
Accounts payable	$ 40.6	$ 258.4	$ 706.4	$	$ 1,005.4
Accounts payable to affiliates	2,682.4	707.6	930.5	(4,305.5)	15.0
Accrued liabilities	100.8	237.8	462.0	(19.6)	781.0
Deferred income taxes			3.2		3.2
Current portion of long-term debt	26.6		41.9		68.5
Total current liabilities	2,850.4	1,203.8	2,144.0	(4,325.1)	1,873.1
Long-term debt	3,342.9		157.4		3,500.3
Deferred income taxes	2.2	11.4	121.7	(11.0)	124.3
Notes payable to affiliates	27.7	477.2	1,744.1	(2,244.3)	4.7
Other noncurrent liabilities	181.4	121.8	374.3	(0.7)	676.8
Total liabilities	6,404.6	1,814.2	4,541.5	(6,581.1)	6,179.2
Minority interest in consolidated subsidiaries		0.5	19.0	7.0	26.5
Members' equity:					
Members' equity	2,845.4	4,672.2	1,296.4	(5,968.6)	2,845.4
Subsidiary preferred stock		1.5	1.4	(2.9)	
(Accumulated deficit) retained earnings	(1,142.9)	383.5	(3.4)	(380.1)	(1,142.9)
Accumulated other comprehensive income	186.9	456.4	37.5	(493.9)	186.9
Total members' equity	1,889.4	5,513.6	1,331.9	(6,845.5)	1,889.4

Total liabilities and members' equity	$ 8,294.0	$ 7,328.3	$ 5,892.4	$ (13,419.6)	$ 8,095.1

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS (UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30, 2008

(Dollars in Millions)

	Parent Company	Guarantors	Nonguarantors	Eliminations	Consolidated Huntsman International LLC
Revenues:					
Trade sales, services and fees	$ 236.3	$ 756.3	$ 1,709.7	$	$ 2,702.3
Related party sales	75.2	105.8	283.1	(435.9)	28.2
Total revenues	311.5	862.1	1,992.8	(435.9)	2,730.5
Cost of goods sold	261.8	772.6	1,778.3	(437.2)	2,375.5
Gross profit	49.7	89.5	214.5	1.3	355.0
Selling, general and administrative	32.5	35.8	162.4	(0.2)	230.5
Research and development	12.4	7.8	18.6		38.8
Other operating (income) expense	(34.3)	38.2	(19.8)		(15.9)
Restructuring, impairment and plant closing costs	0.1		3.5		3.6
Operating income	39.0	7.7	49.8	1.5	98.0
Interest (expense) income, net	(57.9)	28.8	(39.2)		(68.3)
Gain (loss) on accounts receivable securitization program	1.7	(3.0)	(4.9)		(6.2)
Equity in income (loss) of investment in affiliates and subsidiaries	25.4	(7.2)	2.9	(18.2)	2.9
Other (expense) income	(0.2)	(0.1)	0.3		
Income from continuing operations before income taxes and minority interest	8.0	26.2	8.9	(16.7)	26.4
Income tax benefit (expense)	1.4	(14.4)	(5.8)		(18.8)
Minority interest in subsidiaries' income			(0.5)		(0.5)
Income from continuing operations	9.4	11.8	2.6	(16.7)	7.1
Income (loss) from discontinued operations, net of tax	0.1	0.8	(0.1)		0.8
Extraordinary gain on the acquisition of a business, net of tax			1.6		1.6
Net income	$ 9.5	$ 12.6	$ 4.1	$ (16.7)	$ 9.5

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS (UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30, 2007

(Dollars in Millions)

	Parent Company	Guarantors	Nonguarantors	Eliminations	Consolidated Huntsman International LLC
Revenues:					
Trade sales, services and fees	$ 243.0	$ 610.3	$ 1,527.4	$	$ 2,380.7
Related party sales	110.1	111.5	253.0	(431.5)	43.1
Total revenues	353.1	721.8	1,780.4	(431.5)	2,423.8
Cost of goods sold	268.2	619.4	1,560.7	(429.3)	2,019.0
Gross profit	84.9	102.4	219.7	(2.2)	404.8
Selling, general and administrative	53.4	22.8	138.1	(0.3)	214.0
Research and development	10.3	7.9	17.2		35.4
Other operating expense (income)	18.5	(17.7)	9.1		9.9
Restructuring, impairment and plant closing costs			9.1		9.1
Operating income	2.7	89.4	46.2	(1.9)	136.4
Interest expense, net	(5.6)	(34.8)	(31.4)		(71.8)
Gain (loss) on accounts receivable securitization program	5.0	(2.8)	(9.3)		(7.1)
Equity in income of investment in affiliates and subsidiaries	37.3	3.0	1.6	(40.3)	1.6
Other expense	(2.2)		(0.2)		(2.4)
Income from continuing operations before income taxes and minority interest	37.2	54.8	6.9	(42.2)	56.7
Income tax benefit (expense)	11.4	(12.0)	2.5		1.9
Minority interest in subsidiaries' (income) loss		(0.1)	2.9	0.1	2.9
Income from continuing operations	48.6	42.7	12.3	(42.1)	61.5
Loss from discontinued operations, net of tax	(0.8)	(12.1)	(0.8)		(13.7)
Net income	$ 47.8	$ 30.6	$ 11.5	$ (42.1)	$ 47.8

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2008

(Dollars in Millions)

	Parent Company	Guarantors	Nonguarantors	Eliminations	Consolidated Huntsman International LLC
Revenues:					
Trade sales, services and fees	$ 686.7	$ 2,181.4	$ 5,216.2	$	$ 8,084.3
Related party sales	291.2	321.4	862.3	(1,392.6)	82.3
Total revenues	977.9	2,502.8	6,078.5	(1,392.6)	8,166.6
Cost of goods sold	798.9	2,245.6	5,396.4	(1,386.1)	7,054.8
Gross profit	179.0	257.2	682.1	(6.5)	1,111.8
Selling, general and administrative	75.9	104.1	513.3	(0.6)	692.7
Research and development	38.2	23.3	56.8		118.3
Other operating (income) expense	(8.8)	5.7	(1.0)		(4.1)
Restructuring, impairment and plant closing costs	0.2		8.4		8.6
Operating income	73.5	124.1	104.6	(5.9)	296.3
Interest (expense) income, net	(174.7)	82.7	(106.8)		(198.8)
Gain (loss) on accounts receivable securitization program	6.0	(9.1)	(12.6)		(15.7)
Equity in income (loss) of investment in affiliates and subsidiaries	104.6	(11.8)	9.6	(92.8)	9.6
Other (expense) income	(6.5)	(0.2)	0.9	6.5	0.7
Income (loss) from continuing operations before income taxes and minority interest	2.9	185.7	(4.3)	(92.2)	92.1
Income tax benefit (expense)	49.2	(77.8)	(18.4)		(47.0)
Minority interest in subsidiaries' income			(6.9)	(0.1)	(7.0)
Income (loss) from continuing operations	52.1	107.9	(29.6)	(92.3)	38.1
Income (loss) from discontinued operations, net of tax	1.0	4.5	(0.9)		4.6
Extraordinary gain on the acquisition of a business, net of tax			10.4		10.4
Net income (loss)	$ 53.1	$ 112.4	$ (20.1)	$ (92.3)	$ 53.1

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2007

(Dollars in Millions)

	Parent Company	Guarantors	Nonguarantors	Eliminations	Consolidated Huntsman International LLC
Revenues:					
Trade sales, services and fees	$ 715.8	$ 1,740.3	$ 4,548.1	$	$ 7,004.2
Related party sales	359.2	338.1	763.1	(1,317.7)	142.7
Total revenues	1,075.0	2,078.4	5,311.2	(1,317.7)	7,146.9
Cost of goods sold	826.4	1,807.9	4,635.1	(1,314.0)	5,955.4
Gross profit	248.6	270.5	676.1	(3.7)	1,191.5
Selling, general and administrative	158.5	67.5	413.9	(0.7)	639.2
Research and development	30.6	24.4	49.9		104.9
Other operating expense (income)	25.5	(37.9)	30.6		18.2
Restructuring, impairment and plant closing (credits) costs		(0.4)	33.9		33.5
Operating income	34.0	216.9	147.8	(3.0)	395.7
Interest expense, net	(1.3)	(119.9)	(95.0)		(216.2)
Gain (loss) on accounts receivable securitization program	5.2	(7.3)	(13.9)		(16.0)
Equity in (loss) income of investment in affiliates and subsidiaries	(51.3)	85.5	8.9	(34.2)	8.9
Other (expense) income	(5.6)	5.4	(0.6)	(4.1)	(4.9)
(Loss) income from continuing operations before income taxes and minority interest	(19.0)	180.6	47.2	(41.3)	167.5
Income tax benefit (expense)	22.5	(37.7)	(25.0)		(40.2)
Minority interest in subsidiaries' loss			13.7	(0.1)	13.6
Income from continuing operations	3.5	142.9	35.9	(41.4)	140.9
(Loss) income from discontinued operations, net of tax	(9.1)	(152.1)	19.8		(141.4)
Extraordinary loss on the acquisition of a business, net of tax	(1.4)		(5.1)		(6.5)
Net (loss) income	$ (7.0)	$ (9.2)	$ 50.6	$ (41.4)	$ (7.0)

59

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2008

(Dollars in Millions)

	Parent Company	Guarantors	Nonguarantors	Eliminations	Consolidated Huntsman International LLC
Net cash (used in) provided by operating activities	$ (152.2)	$ 369.4	$ (154.4)	$	$ 62.8
Investing activities:					
Capital expenditures	(32.8)	(121.5)	(171.0)		(325.3)
Proceeds from sale of assets, net of adjustments		(27.9)	1.9		(26.0)
Net receivable from affiliates	(90.6)	(267.7)		267.7	(90.6)
Investment in affiliates, net	(91.8)	(36.5)	(0.2)	91.7	(36.8)
Acquisition of intangible assets			(9.5)		(9.5)
Change in restricted cash			(7.1)		(7.1)
Other, net		(0.4)	1.0		0.6
Net cash used in investing activities	(215.2)	(454.0)	(184.9)	359.4	(494.7)
Financing activities:					
Net borrowings under revolving loan facilities	357.9		12.1		370.0
Net repayments on overdraft facilities			(3.0)		(3.0)
Repayments of long-term debt			(6.6)		(6.6)
Proceeds from long-term debt			23.6		23.6
Intercompany borrowings			267.7	(267.7)	
Repayments on notes payable	(32.8)		(2.5)		(35.3)
Proceeds from notes payable	34.0		6.2		40.2
Contribution from parent, net		80.9	10.8	(91.7)	
Debt issuance costs paid	(2.2)				(2.2)
Other, net			(0.3)		(0.3)
Net cash provided by financing activities	356.9	80.9	308.0	(359.4)	386.4
Effect of exchange rate changes on cash			(1.3)		(1.3)
Decrease in cash and cash equivalents	(10.5)	(3.7)	(32.6)		(46.8)
Cash and cash equivalents at beginning of period	11.3	5.7	136.9		153.9
Cash and cash equivalents at end of period	$ 0.8	$ 2.0	$ 104.3	$	$ 107.1

60

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2007

(Dollars in Millions)

	Parent Company	Guarantors	Nonguarantors	Eliminations	Consolidated Huntsman International LLC
Net cash (used in) provided by operating activities	$(1,687.0)	$ 1,741.6	$ 99.2	$ (5.3)	$ 148.5
Investing activities:					
Capital expenditures	(26.5)	(242.4)	(197.8)		(466.7)
Acquisition of business, net of cash acquired and post-closing adjustments	(8.4)		21.3		12.9
Proceeds from sale of assets	348.3		16.0		364.3
Net receivable from affiliates	(151.4)				(151.4)
Investment in affiliates, net	121.3	(3.8)	(8.4)	(121.1)	(12.0)
Net cash provided by (used in) investing activities	283.3	(246.2)	(168.9)	(121.1)	(252.9)
Financing activities:					
Net borrowings (repayments) under revolving loan facilities	60.0		(16.5)		43.5
Net borrowings on overdraft facilities			9.0		9.0
Repayments of long-term debt	(313.1)	(0.4)	(5.4)		(318.9)
Proceeds from long-term debt	249.5		16.6		266.1
Intercompany borrowings (repayments)	1,397.8	(1,487.3)	(31.6)	121.1	
Repayments on notes payable	(45.6)		(1.9)		(47.5)
Proceeds from notes payable	48.8		6.1		54.9
Call premiums related to early extinguishment of debt	(1.2)				(1.2)
Debt issuance costs paid	(4.6)				(4.6)
Dividends paid		(5.3)		5.3	
Other, net			(1.2)		(1.2)
Net cash provided by (used in) financing activities	1,391.6	(1,493.0)	(24.9)	126.4	0.1
Effect of exchange rate changes on cash			8.9		8.9
(Decrease) increase in cash and cash equivalents	(12.1)	2.4	(85.7)		(95.4)
Cash and cash equivalents at beginning of period	18.1		227.9		246.0
Cash and cash equivalents at end of period	$ 6.0	$ 2.4	$ 142.2	$	$ 150.6

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Certain information set forth in this report contains "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as "believes," "expects," "may," "should," "anticipates," or "intends" or the negative of such terms or other comparable terminology, or by discussions of strategy. We may also make additional forward-looking statements from time to time. All such subsequent forward-looking statements, whether written or oral, by us or on our behalf, are also expressly qualified by these cautionary statements.

All forward-looking statements, including without limitation management's examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them, but, there can be no assurance that management's expectations, beliefs and projections will result or be achieved. All forward-looking statements apply only as of the date made. We undertake no obligation to publicly update or revise forward-looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this report. Any forward-looking statements should be considered in light of the risks referenced in "Part II. Item 1A. Risk Factors" in this report and in "Part I. Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2007.

OVERVIEW

Business

We are a global manufacturer of differentiated organic chemical products and of inorganic chemical products. Our products comprise a broad range of chemicals and formulations, which we market globally to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, durable and non-durable consumer products, electronics, medical, packaging, paints and coatings, power generation, refining, synthetic fiber, textile chemicals and dye industries. We are a leading global producer in many of our key product lines, including MDI, amines, surfactants, epoxy-based polymer formulations, textile chemicals, dyes, maleic anhydride and titanium dioxide. We had revenues for the nine months ended September 30, 2008 and 2007 of $8,166.6 million and $7,146.9 million, respectively.

We currently report our operations in six segments: Polyurethanes, Materials and Effects, Performance Products, Pigments, Polymers and Base Chemicals. Our Polyurethanes, Materials and Effects and Performance Products segments produce organic differentiated chemical products and our Pigments segment produces inorganic chemical products. Our former Polymers and Base Chemicals segments produced commodity chemical products prior to the dispositions discussed in "Note 3. Discontinued Operations" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

RECENT DEVELOPMENTS

Merger Agreement and Related Litigation

On July 12, 2007, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Hexion and its subsidiary, Nimbus Merger Sub Inc. ("Nimbus"), pursuant to which Hexion agreed to acquire all of our outstanding common stock for $28.00 per share in cash (the "Merger"). Under the terms of the Merger Agreement, the $28.00 per share cash price to be paid by Hexion increases at the rate of 8% per annum (inclusive of any dividends paid) beginning April 6, 2008 and continuing through the closing date of the Merger. On October 16, 2007, stockholders holding a majority of shares of our common stock entitled to vote thereon approved a proposal to adopt the Merger Agreement.

On June 18, 2008, Hexion, its private equity sponsor Apollo Management, L.P. ("Apollo") and certain of their affiliates ("Plaintiffs") filed an action for declaratory judgment against us in Delaware Chancery Court. Through that action, Plaintiffs sought to avoid their obligations under the Merger Agreement. The action sought declarations from the court that:

- Hexion was not obligated to consummate the Merger if the combined company would be insolvent following the consummation of the Merger and that Hexion's liability for failure to consummate the Merger in such a circumstance would be limited to $325 million.

- Since execution of the Merger Agreement, our Company had suffered a material adverse effect in its business, and that, if the conditions to closing were measured at the time that Hexion filed its lawsuit, Hexion would have no obligation to make any payment to our Company in connection with the Merger.

- Neither Apollo nor any of its current or former partners, stockholders, managers, employees, representatives, members, affiliates or agents have any obligation or liability of any type whatsoever, whether in contract, tort or otherwise, to our Company under or in connection with the negotiation, execution or performance of the Merger Agreement or any of the transactions contemplated thereunder.

On June 23, 2008, we sued Apollo and its founding partners, Leon Black and Joshua Harris, in the District Court of Montgomery County, Texas, for tortiously interfering with our previously executed merger agreement (the "Basell Merger Agreement") with Basell AF ("Basell") and one of its subsidiaries. Our original petition alleges, among other things, that Apollo and Messrs. Black and Harris wrongfully caused us to terminate our agreement with Basell by offering a counterproposal at a purchase price that they never intended to pay. Our original petition seeks damages from Apollo equal to the difference between the price per share at which Basell had agreed to acquire us ($25.25 per share) less the decline in our stock price caused by Hexion's attempt to scuttle the Merger Agreement.

On July 4, 2008, we exercised our right under the Merger Agreement to extend the termination date of the Merger by 90 days from July 4, 2008 to October 2, 2008. Beginning on the termination date, if the Merger has not yet been consummated, the Merger Agreement may be terminated by either party at any time, unless such party's failure to fulfill any material covenant or agreement in the Merger Agreement has been the cause or resulted in the failure of the Merger to be consummated.

On September 8, 2008, trial began before Vice Chancellor Stephen P. Lamb in the Court of Chancery of the State of Delaware. At trial, the issues before the Court were limited to whether a material adverse effect had occurred; whether any damages that might later be awarded to us should be limited to the $325 million reverse termination fee stipulated in the Merger Agreement; and whether we had invalidly extended the Merger Agreement's termination date. Trial continued through September 16, 2008. Following trial, parties submitted post-trial briefs. The matter was fully briefed and before the Court on September 19, 2008. On September 29, 2008, Vice Chancellor Lamb issued an

Table of Contents

Opinion and an Order and Final Partial Judgment. A copy of the Opinion and Order are attached to our current report on Form 8-K filed on September 30, 2008.

Among other things, Vice Chancellor Lamb ruled that we had not suffered a material adverse effect in our business, that Hexion knowingly and intentionally breached numerous of its covenants under the Merger Agreement (as a result of which Hexion's damages for failing to consummate the Merger would not be limited to $325 million) and that we had properly extended the Merger Agreement. Vice Chancellor Lamb ordered Hexion to specifically perform its covenants under the Merger Agreement, including its covenants to (i) use reasonable best efforts to consummate the merger and financing provided under the commitment letter provided to Hexion (the "Commitment Letter") by affiliates of Credit Suisse and Deutsche Bank A.G. (the "Lenders"), (ii) refrain from taking any further action that could reasonably be expected to materially impair, delay, or prevent consummation of the financing contemplated by the Commitment Letter or any alternate financing (as that term is defined by the Merger Agreement), and (iii) take all actions necessary to obtain antitrust approval for the Merger by October 2, 2008. Vice Chancellor Lamb reserved ruling on the remaining issues in the parties' pleadings, including whether Plaintiffs' breaches have caused Huntsman damage in excess of the $325 million termination fee. On October 28, 2008, Hexion filed a notice of appeal of Vice Chancellor Lamb's judgment with the Delaware Supreme Court.

On September 30, 2008, we filed suit in the 9th Judicial District Court in Montgomery County, Texas against the Lenders alleging, among other things, that these institutions had conspired with Apollo to tortiously interfere with the Basell Merger Agreement. Trial is scheduled to begin on February 9, 2009.

During the Delaware trial, a group of our stockholders consisting of affiliates of D.E. Shaw, Citadel and MatlinPatterson, along with certain members of the Huntsman family and entities controlled by them, proposed to commit to providing us with cash payments contingent on and in connection with the closing of the Merger in an aggregate amount of approximately $416.5 million. These same stockholders had offered to purchase from Hexion contingent value rights ("CVRs") in the combined Hexion/Huntsman entity but Hexion rejected their offer. The cash payments offered by these stockholders and the Huntsman family stockholders were intended to "backstop" the CVR proposal in the event Hexion continued to reject the CVRs or other financing proposals. We accepted these "backstop commitments" on September 11, 2008. Subsequently, other shareholders made similar backstop commitments of $63.6 million in the aggregate. On October 9, 2008, Hexion issued a press release announcing that affiliates of Apollo had agreed to make a capital contribution of $540 million to Hexion to assist it in closing the Merger. Hexion also announced that Apollo had agreed to waive its transaction fee, estimated at approximately $100 million, in connection with the Merger and suspend for three years its ongoing monitoring fees from Hexion. Apollo's fee waivers and equity commitment were conditioned upon the consummation of the Merger.

On October 26, 2008, affiliates of D.E. Shaw, Citadel and MatlinPatterson agreed to amend their backstop commitments to increase the closing date cash payment by them by approximately $216.5 million, contingent on the consummation of the Merger and a further commitment by Apollo to increase its equity commitment from $540 million to $750 million. Hexion announced on October 27, 2008 that Apollo had agreed to increase its equity commitment to $750 million. All of the backstop commitments expired on November 2, 2008 in accordance with their terms because the Merger was not consummated.

On October 8, 2008, Hexion announced that Nimbus is offering to purchase for cash any and all outstanding notes of Huntsman International on the terms and subject to the conditions set forth in the Offer to Purchase and Consent Solicitation Statement dated October 8, 2008 and the accompanying Letter of Transmittal and Consent (the "Nimbus Offering Documents"). Nimbus is also seeking consents to eliminate most of the restrictive covenants and liens in the indentures under which the

Table of Contents

notes were issued. The tender offers are subject to a number of customary conditions set forth in the Nimbus Offering Documents, including the consummation of the Merger and the receipt of requisite consents. The tender offers were originally set to expire on November 5, 2008, but have been extended by Nimbus until November 17, 2008. Nimbus may further extend or early terminate the tender offers in its sole discretion. This report is not an offer to purchase, a solicitation of an offer to sell or a solicitation of consents with respect to the notes.

Following the Delaware action, Hexion and our Company agreed to schedule the closing of the Merger Agreement for October 28, 2008.

The Commitment Letter requires that the Lenders be provided, at closing, with either (i) a solvency opinion of a reputable valuation firm, (ii) a solvency certificate signed by the chief financial officer of Hexion or (iii) a solvency certificate signed by our chief financial officer. This closing condition could be satisfied if any one of the opinions/certificates described in the preceding sentence was delivered and was in a form customary for transactions involving portfolio companies of Apollo.

On September 12, 2008, we announced that we had engaged a reputable valuation firm, American Appraisal Associates, Inc. ("American Appraisal"), to provide an opinion that the combined Hexion/Huntsman entity was solvent based on traditional solvency tests. On October 23, 2008, five days prior to the anticipated closing, American Appraisal provided us with a solvency opinion that the combined entity was solvent. On October 28, 2008, American Appraisal issued an additional opinion that the combined entity was solvent, and our chief financial officer, J. Kimo Esplin, executed a certificate, in his capacity as our chief financial officer, that the combined entity was solvent. However, very late on the evening of October 27, 2008, the Lenders sent a letter to Hexion stating that the Lenders did not believe that the solvency opinion and certificate proposed to be provided met the condition of the Commitment Letter and effectively said that, as a result, the Lenders would not fund the proposed closing of the Merger scheduled for October 28, 2008.

Hexion sent the Lenders a reply letter disputing the Lenders' position and noting that both the American Appraisal opinion and the certificate of our chief financial officer were in forms customary for transactions involving Apollo portfolio companies. Because the Lenders continued to refuse to fund, Hexion brought suit against the Lenders in the Supreme Court of the State of New York, New York County on October 29, 2008 seeking specific performance of the Lenders' commitment under the Commitment Letter. Hexion also sought an order temporarily restraining the Lenders from terminating the Commitment Letter. On October 31, 2008, the court refused to grant Hexion a preliminary injunction preventing termination of the Commitment Letter. A trial is scheduled for January 8, 2009 to determine whether the Lenders will be required to specifically perform their obligations under the Commitment Letter.

We intend to continue to zealously pursue our multi-billion dollar actions against Hexion and Apollo in Delaware and against Apollo, Leon Black, Josh Harris and the Lenders in Texas.

Table of Contents

RESULTS OF OPERATIONS

For each of our Company and Huntsman International, the following tables set forth the unaudited condensed consolidated results of operations for the three and nine months ended September 30, 2008 and 2007 (dollars in millions):

Huntsman Corporation

	Three months ended September 30,		Percent	Nine months ended September 30,		Percent
	2008	2007	Change	2008	2007	Change
Total revenues	$2,730.5	$2,423.8	13%	$ 8,166.6	$ 7,146.9	14%
Cost of goods sold	2,379.7	2,023.1	18%	7,067.4	5,967.6	18%
Gross profit	350.8	400.7	(12)%	1,099.2	1,179.3	(7)%
Operating expense	254.3	259.5	(2)%	806.8	762.6	6%
Restructuring, impairment and plant closing costs	3.6	9.1	(60)%	8.6	33.5	(74)%
Operating income	92.9	132.1	(30)%	283.8	383.2	(26)%
Interest expense, net	(68.2)	(71.5)	(5)%	(198.5)	(215.3)	(8)%
Loss on sale of accounts receivable	(6.2)	(7.1)	(13)%	(15.7)	(16.0)	(2)%
Equity in income of investment in unconsolidated affiliates	2.9	1.6	81%	9.6	8.9	8%
Expenses associated with the Merger	(25.8)	(205.0)	(87)%	(34.8)	(205.0)	(83)%
Other (expense) income		(2.4)	NM	0.7	(4.5)	NM
(Loss) income from continuing operations before income taxes and minority interest	(4.4)	(152.3)	(97)%	45.1	(48.7)	NM
Income tax (expense) benefit	(17.7)	13.1	NM	(42.3)	8.7	NM
Minority interests in subsidiaries' (income) loss	(0.5)	2.9	NM	(7.0)	13.6	NM
Loss from continuing operations	(22.6)	(136.3)	(83)%	(4.2)	(26.4)	(84)%
Income (loss) from discontinued operations, net of tax	0.8	(13.7)	NM	4.6	(141.4)	NM
Extraordinary gain (loss) on the acquisition of a business, net of tax of nil	1.6		NM	10.4	(6.5)	NM
Net (loss) income	(20.2)	(150.0)	(87)%	10.8	(174.3)	NM
Interest expense, net	68.2	71.5	(5)%	198.5	215.3	(8)%
Income tax expense (benefit) from continuing operations	17.7	(13.1)	NM	42.3	(8.7)	NM
Income tax expense (benefit) from discontinued operations	0.5	3.2	(84)%	3.0	(73.1)	NM
Depreciation and amortization	98.8	96.3	3%	290.1	313.3	(7)%
EBITDA(1)	$ 165.0	$ 7.9	NM	$ 544.7	$ 272.5	100%
Net cash provided by operating activities				$ 46.3	$ 43.3	7%
Net cash used in investing activities				(400.5)	(90.7)	342%
				308.7	(74.0)	NM

Net cash provided by (used in) financing activities

Table of Contents

Huntsman International

	Three months ended September 30, 2008	2007	Percent Change	Nine months ended September 30, 2008	2007	Percent Change
Total revenues	$2,730.5	$2,423.8	13%	$ 8,166.6	$ 7,146.9	14%
Cost of goods sold	2,375.5	2,019.0	18%	7,054.8	5,955.4	18%
Gross profit	355.0	404.8	(12)%	1,111.8	1,191.5	(7)%
Operating expense	253.4	259.3	(2)%	806.9	762.3	6%
Restructuring, impairment and plant closing costs	3.6	9.1	(60)%	8.6	33.5	(74)%
Operating income	98.0	136.4	(28)%	296.3	395.7	(25)%
Interest expense, net	(68.3)	(71.8)	(5)%	(198.8)	(216.2)	(8)%
Loss on sale of accounts receivable	(6.2)	(7.1)	(13)%	(15.7)	(16.0)	(2)%
Equity in income of investment in unconsolidated affiliates	2.9	1.6	81%	9.6	8.9	8%
Other (expense) income		(2.4)	NM	0.7	(4.9)	NM
Income from continuing operations before income taxes and minority interest	26.4	56.7	(53)%	92.1	167.5	(45)%
Income tax (expense) benefit	(18.8)	1.9	NM	(47.0)	(40.2)	17%
Minority interests in subsidiaries' (income) loss	(0.5)	2.9	NM	(7.0)	13.6	NM
Income from continuing operations	7.1	61.5	(88)%	38.1	140.9	(73)%
Income (loss) from discontinued operations, net of tax	0.8	(13.7)	NM	4.6	(141.4)	NM
Extraordinary gain (loss) on the acquisition of a business, net of tax of nil	1.6		NM	10.4	(6.5)	NM
Net income (loss)	9.5	47.8	(80)%	53.1	(7.0)	NM
Interest expense, net	68.3	71.8	(5)%	198.8	216.2	(8)%
Income tax expense (benefit) from continuing operations	18.8	(1.9)	NM	47.0	40.2	17%
Income tax expense (benefit) from discontinued operations	0.5	3.2	(84)%	3.0	(73.1)	NM
Depreciation and amortization	92.9	90.6	3%	272.9	296.2	(8)%
EBITDA(1)	$ 190.0	$ 211.5	(10)%	$ 574.8	$ 472.5	22%
Net cash provided by operating activities				$ 62.8	$ 148.5	(58)%
Net cash used in investing activities				(494.7)	(252.9)	96%
Net cash provided by financing activities				386.4	0.1	NM

NM Not Meaningful

Table of Contents

For each of our Company and Huntsman International, the following tables set forth certain items of (expense) income included in EBITDA (dollars in millions):

Huntsman Corporation

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Foreign exchange gains (losses) unallocated	$ 3.8	$ (3.9)	$ (6.2)	$ (10.5)
Loss on early extinguishment of debt				(1.8)
Loss on accounts receivable securitization program	(6.2)	(7.1)	(15.7)	(16.0)
Legal and contract settlement charges, net				(6.3)
Amounts included in discontinued operations	1.3	(7.2)	7.6	(183.1)
Gain on sale of business/assets, net				4.1
Expenses associated with the Merger	(25.8)	(205.0)	(34.8)	(205.0)
Extraordinary gain (loss) on the acquisition of a business	1.6		10.4	(6.5)
Restructuring, impairment and plant closing (costs) credits:				
Materials and Effects	(1.5)	(4.2)	(2.9)	(18.6)
Performance Products		0.1	(0.1)	(0.3)
Pigments	(0.4)	(4.1)	(1.3)	(2.6)
Corporate and other	(1.7)	(0.9)	(4.3)	(12.0)
Total restructuring, impairment and plant closing costs	(3.6)	(9.1)	(8.6)	(33.5)
Total	$ (28.9)	$ (232.3)	$ (47.3)	$ (458.6)

Huntsman International

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Foreign exchange gains (losses) unallocated	$ 3.8	$ (3.9)	$ (6.2)	$ (10.5)
Loss on early extinguishment of debt				(2.2)
Loss on accounts receivable securitization program	(6.2)	(7.1)	(15.7)	(16.0)
Legal and contract settlement charges, net				(6.3)
Amounts included in discontinued operations	1.3	(7.2)	7.6	(183.1)
Gain on sale of business/assets, net				4.1
Extraordinary gain (loss) on the acquisition of a business	1.6		10.4	(6.5)
Restructuring, impairment and plant closing (costs) credits:				
Materials and Effects	(1.5)	(4.2)	(2.9)	(18.6)
Performance Products		0.1	(0.1)	(0.3)
Pigments	(0.4)	(4.1)	(1.3)	(2.6)
Corporate and other	(1.7)	(0.9)	(4.3)	(12.0)
Total restructuring, impairment and plant closing costs	(3.6)	(9.1)	(8.6)	(33.5)
Total	$ (3.1)	$ (27.3)	$ (12.5)	$ (254.0)

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(1) EBITDA is defined as net income (loss) before interest, income taxes, depreciation and amortization. We believe that EBITDA enhances an investor's understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our

indebtedness. However, EBITDA should not be considered in isolation or viewed as a substitute for net income, cash flow from operations or other measures of performance as defined by GAAP. Moreover, EBITDA as used herein is not necessarily comparable to other similarly titled measures of other companies due to potential inconsistencies in the method of calculation. Our management uses EBITDA to assess financial performance and debt service capabilities. In assessing financial performance, our management reviews EBITDA as a general indicator of economic performance compared with prior periods. Because EBITDA excludes interest, income taxes, depreciation and amortization, EBITDA provides an indicator of general economic performance that is not affected by debt restructurings, fluctuations in interest rates or effective tax rates, or levels of depreciation and amortization. Accordingly, our management believes this type of measurement is useful for comparing general operating performance from period to period and making certain related management decisions. EBITDA is also used by securities analysts, lenders and others in their evaluation of different companies because it excludes certain items that can vary widely across different industries or among companies within the same industry. For example, interest expense can be highly dependent on a company's capital structure, debt levels and credit ratings. Therefore, the impact of interest expense on earnings can vary significantly among companies. In addition, the tax positions of companies can vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the various jurisdictions in which they operate. As a result, effective tax rates and tax expense can vary considerably among companies. Finally, companies employ productive assets of different ages and utilize different methods of acquiring and depreciating such assets. This can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies. Our management also believes that our investors use EBITDA as a measure of our ability to service indebtedness as well as to fund capital expenditures and working capital requirements. Nevertheless, our management recognizes that there are material limitations associated with the use of EBITDA in the evaluation of our Company as compared to net income, which reflects overall financial performance, including the effects of interest, income taxes, depreciation and amortization. EBITDA excludes interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate revenue. Therefore, any measure that excludes interest expense has material limitations. EBITDA also excludes taxes. Because the payment of taxes is a necessary element of our operations, any measure that excludes tax expense has material limitations. Finally, EBITDA excludes depreciation and amortization expense. Because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate revenue. Therefore, any measure that excludes depreciation and amortization expense has material limitations. Our management compensates for the limitations of using EBITDA by using it to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Our management also uses other metrics to evaluate capital structure, tax planning and capital investment decisions. For example, our management uses credit ratings and net debt ratios to evaluate capital structure, effective tax rate by jurisdiction to evaluate tax planning, and payback period and internal rate of return to evaluate capital investments. Our management also uses trade working capital to evaluate its investment in accounts receivable and inventory, net of accounts payable.

We believe that net income (loss) is the performance measure calculated and presented in accordance with GAAP that is most directly comparable to EBITDA and that cash provided by operating activities is the liquidity measure calculated and presented in accordance with GAAP that is most directly comparable to EBITDA.

Table of Contents

For each of our Company and Huntsman International, the following tables reconcile EBITDA to net income (loss) and to net cash provided by operations (dollars in millions):

Huntsman Corporation

	Nine months ended September 30, 2008	Nine months ended September 30, 2007	Percent Change
EBITDA	$ 544.7	$ 272.5	100%
Depreciation and amortization	(290.1)	(313.3)	(7)%
Interest expense, net	(198.5)	(215.3)	(8)%
Income tax (expense) benefit continuing operations	(42.3)	8.7	NM
Income tax (expense) benefit discontinued operations	(3.0)	73.1	NM
Net income (loss)	10.8	(174.3)	NM
Extraordinary (gain) loss on the acquisition of a business, net of tax	(10.4)	6.5	NM
Equity in income of investment in unconsolidated affiliates	(9.6)	(8.9)	8%
Dividends received from unconsolidated affiliate	11.0		NM
Depreciation and amortization	290.1	313.3	(7)%
Loss (gain) on disposal of assets	4.3	(1.4)	NM
Noncash restructuring, impairment and plant closing costs	3.4	12.6	(73)%
Loss on early extinguishment of debt		1.8	NM
Noncash interest expense	2.4	2.6	(8)%
Deferred income taxes	15.0	(109.8)	NM
Loss on disposal of discontinued operations		228.9	NM
Net unrealized loss (gain) on foreign currency transactions	16.2	(3.2)	NM
Other, net	27.8	7.5	271%
Changes in operating assets and liabilities	(314.7)	(232.3)	35%
Net cash provided by operating activities	$ 46.3	$ 43.3	7%

Table of Contents

Huntsman International

	Nine months ended September 30, 2008	Nine months ended September 30, 2007	Percent Change
EBITDA	$ 574.8	$ 472.5	22%
Depreciation and amortization	(272.9)	(296.2)	(8)%
Interest expense, net	(198.8)	(216.2)	(8)%
Income tax expense continuing operations	(47.0)	(40.2)	17%
Income tax (expense) benefit discontinued operations	(3.0)	73.1	NM
Net income (loss)	53.1	(7.0)	NM
Extraordinary (gain) loss on the acquisition of a business, net of tax	(10.4)	6.5	NM
Equity in income of investment in unconsolidated affiliates	(9.6)	(8.9)	8%
Dividends received from unconsolidated affiliate	11.0		NM
Depreciation and amortization	272.9	296.2	(8)%
Loss (gain) on disposal of assets	4.3	(1.4)	NM
Noncash restructuring, impairment and plant closing costs	3.4	12.6	(73)%
Loss on early extinguishment of debt		2.2	NM
Noncash interest expense	2.4	2.8	(14)%
Deferred income taxes	19.7	(60.9)	NM
Loss on disposal of discontinued operations		228.9	NM
Net unrealized loss (gain) on foreign currency transactions	16.2	(3.2)	NM
Other, net	27.8	7.6	266%
Changes in operating assets and liabilities	(328.0)	(326.9)	
Net cash provided by operating activities	$ 62.8	$ 148.5	(58)%

NM Not Meaningful

Three Months Ended September 30, 2008 Compared with Three Months Ended September 30, 2007

For the three months ended September 30, 2008, we had a net loss of $20.2 million on revenues of $2,730.5 million, compared with a net loss of $150.0 million on revenues of $2,423.8 million for the 2007 period. For the three months ended September 30, 2008, Huntsman International had net income of $9.5 million on revenues of $2,730.5 million compared with net income of $47.8 million on revenues of $2,423.8 million for the 2007 period. The decrease of $129.8 million in our net loss and the decrease of $38.3 million in Huntsman International's net income was the result of the following items:

Revenues for the three months ended September 30, 2008 increased by $306.7 million, or 13%, as compared with the 2007 period due principally to higher average selling prices in all of our segments and higher sales volumes in our Polyurethanes segment, partially offset by lower sales volumes in our Materials and Effects, Performance Products and Pigments segments. For more information, see " Segment Analysis" below.

Our gross profit and the gross profit of Huntsman International for the three months ended September 30, 2008 decreased by $49.9 million and $49.8 million, respectively, or 12% each, as compared with the 2007 period. Lower gross profit in our Polyurethanes segment, was offset somewhat by higher gross profit in our Materials and Effects, Performance Products and Pigments segments. For more information, see " Segment Analysis" below.

Table of Contents

Our operating expenses and the operating expenses of Huntsman International for the three months ended September 30, 2008 decreased by $5.2 million and $5.9 million, respectively, or 2% each, as compared with the 2007 period. The decrease resulted primarily from a $19.8 million increase in foreign exchange gains ($12.2 million of gains in the 2008 period as compared with $7.6 million of losses in the 2007 period), partially offset by a $3.4 million increase in research and development costs and higher overall selling, general and administrative costs, which largely resulted from the weakening of the U.S. dollar versus relevant currencies.

Restructuring, impairment and plant closing costs for the three months ended September 30, 2008 decreased to $3.6 million from $9.1 million in the 2007 period. For more information concerning restructuring activities, see "Note 6. Restructuring, Impairment and Plant Closing Costs" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Our net interest expense and the net interest expense of Huntsman International for the three months ended September 30, 2008 decreased by $3.3 million and $3.5 million, respectively, or 5% each, as compared with the 2007 period. This decrease was primarily due to lower average interest rates on borrowings.

Expenses associated with the Merger consisted primarily of Merger-related professional fees. For more information regarding these Merger-related expenses, see "Note 15. Expenses Associated with the Merger" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Our income tax expense and Huntsman International's tax expense increased by $30.8 million and $20.7 million, respectively, as compared with the same period in 2007. Our and Huntsman International's tax obligations are affected by the mix of income and losses in the tax jurisdictions in which we operate. For further information concerning taxes, see "Note 20. Income Taxes" to our condensed consolidated financial statements (unaudited) included elsewhere in this report

The income (loss) from discontinued operations represents the operating results and impairment and gain (loss) on disposal with respect to each of our U.S. base chemicals business, our North American polymers business, our European base chemicals and polymers business and our TDI business. For more information, see "Note 3. Discontinued Operations" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

The extraordinary gain on the acquisition of a business relates to the June 30, 2006 acquisition of our textile effects business. During the three months ended September 30, 2008, we recorded an extraordinary gain on the acquisition of $1.6 million related to the reversal of accruals for certain employee termination costs recorded in connection with the Textile Effects Acquisition that were no longer deemed necessary. For more information, see "Note 4. Business Combinations Textile Effects Acquisition" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Table of Contents

Segment Analysis

	Three months ended September 30, 2008	2007	Percent Change
Revenues			
Polyurethanes	$1,096.0	$ 974.4	12%
Materials and Effects	614.0	594.9	3%
Performance Products	740.7	590.2	25%
Pigments	279.8	271.1	3%
Corporate and Other	43.6	40.2	8%
Eliminations	(43.6)	(47.0)	(7)%
Total	$2,730.5	$2,423.8	13%
Huntsman Corporation			
Segment EBITDA			
Polyurethanes	$ 89.3	$ 172.8	(48)%
Materials and Effects	46.2	48.6	(5)%
Performance Products	81.0	48.0	69%
Pigments	15.2	(0.4)	NM
Corporate and Other	(68.0)	(258.7)	(74)%
Subtotal	163.7	10.3	NM
Polymers		12.0	NM
Base Chemicals	1.3	(14.4)	NM
Total	$ 165.0	$ 7.9	NM
Huntsman International			
Segment EBITDA			
Polyurethanes	$ 89.3	$ 172.8	(48)%
Materials and Effects	46.2	48.6	(5)%
Performance Products	81.0	48.0	69%
Pigments	15.2	(0.4)	NM
Corporate and Other	(43.0)	(55.1)	(22)%
Subtotal	188.7	213.9	(12)%
Polymers		12.0	NM
Base Chemicals	1.3	(14.4)	NM
Total	$ 190.0	$ 211.5	(10)%

Period-Over-Period Increase (Decrease)	Average Selling Price	Sales Volumes
Polyurethanes(1)	8%	4%
Materials and Effects	13%	(9)%
Performance Products(1)	34%	(8)%
Pigments	17%	(12)%

(1) Excludes revenues and sales volumes from tolling arrangements.

NM Not Meaningful

Table of Contents

Polyurethanes

For the three months ended September 30, 2008, Polyurethanes segment revenues increased as a result of both higher average selling prices and increased sales volumes. MDI average selling prices increased by 6% primarily due to global price increase initiatives and, in Europe, primarily due to the strength of other relevant currencies versus the U.S. dollar. Average selling prices for MTBE increased by 28% due to improved market demand as well as in response to higher raw material costs. The increase in Polyurethanes segment sales volumes was primarily driven by continued growth in Europe and was partially offset by lower sales volumes in the Americas, resulting from slower construction-related demand and production outages caused by the recent U.S. Gulf Coast storms, and by lower sales volumes in Asia, resulting from Olympics-related production restrictions. Segment EBITDA decreased principally on lower margins, as sharply higher raw material and energy costs and effects of the recent U.S. Gulf Coast storms more than offset improved average selling prices and sales volumes.

Materials and Effects

For the three months ended September 30, 2008, Materials and Effects segment revenues increased primarily as a result of higher average selling prices. Average selling prices increased as a result of price increase initiatives in certain markets and regions and foreign exchange movements as the U.S. dollar weakened against other relevant currencies. Sales volumes were lower for the three months ended September 30, 2008 as compared to the same period of 2007. In our advanced materials products, sales volumes decreased by 4% primarily as a result of lower demand in Europe (whereas demand in the U.S. remained consistent). Sales volumes in our textile effects products decreased by 18% primarily as a result of lower demand for dyes and chemicals in all regions as well as Olympics-related production restrictions in China. Segment EBITDA decreased primarily due to higher raw material and energy costs. Segment EBITDA from our advanced materials products increased by $2.6 million, as higher manufacturing and energy costs were more than offset by lower selling, general and administrative expenses. Segment EBITDA from our textile effects products decreased by $5.0 million due to higher fixed costs and increased selling, general and administrative costs that resulted primarily from the strength of other relevant currencies relative to the U.S. dollar. During the three months ended September 30, 2008 and 2007, our Materials and Effects segment recorded restructuring and plant closing charges of $1.5 million and $4.2 million, respectively. For more information concerning restructuring activities, see "Note 6. Restructuring, Impairment and Plant Closing Costs" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Performance Products

For the three months ended September 30, 2008, Performance Products segment revenues increased primarily due to a rise in selling prices and higher toll manufacturing revenues, offset by lower sales volumes. Average selling prices rose in response to higher raw material costs and as a result of foreign exchange movements as the U.S. dollar weakened against other relevant currencies. The reduction in sales volumes was primarily due to the conversion of most of our ethylene glycol business to a toll manufacturing operation in 2008 and lower surfactant sales that more than offset volume increases in other product groups. Segment EBITDA increased principally on increased volumes of higher margin products and expanded margins as higher average selling prices more than offset increases in raw material, energy and fixed costs.

Pigments

For the three months ended September 30, 2008, Pigments segment revenues increased primarily as a result of higher average selling prices partially offset by a decrease in sales volumes. Average selling prices increased primarily due to price increase initiatives and the strength of relevant currencies relative to the U.S. dollar, as local currency selling prices were higher in all global markets. Sales volumes were lower primarily due to lower demand in Europe. Segment EBITDA increased principally due to higher margins as higher local currency average selling prices more than offset increases in raw material and energy costs.

Corporate and Other Huntsman Corporation

Corporate and Other includes unallocated corporate overhead, foreign exchange gains and losses, loss on accounts receivable securitization program, loss on the early extinguishment of debt, other non-operating income and expense, minority interest in subsidiaries' (income) loss, extraordinary gain (loss) on acquisition of a business, Merger-related expenses and the operating results of our Australian styrenics business. The increase in EBITDA from Corporate and Other for the three months ended September 30, 2008 resulted primarily from a $179.2 million decrease in expenses associated with the Merger ($25.8 million recorded in the 2008 period compared to $205.0 million in the 2007 period). For more information regarding these Merger-related expenses, see "Note 15. Expenses Associated with the Merger" to our condensed consolidated financial statements (unaudited) included elsewhere in this report. Additionally, EBITDA was higher for the the three months ended September 30, 2008 due to a $7.7 million increase in foreign exchange gains ($3.8 million in gains for the 2008 period compared to losses of $3.9 million during the 2007 period). These increases to EBITDA were offset somewhat by a $3.4 million decrease in minority interests in subsidiaries' loss.

Corporate and Other Huntsman International

Corporate and Other includes unallocated corporate overhead, foreign exchange gains and losses, loss on accounts receivable securitization program, loss on the early extinguishment of debt, other non-operating income and expense, minority interest in subsidiaries' (income) loss, extraordinary gain (loss) on acquisition of a business, and the operating results of our Australian styrenics business. The increase in EBITDA from Corporate and Other for the three months ended September 30, 2008 resulted primarily from a $7.7 million increase in foreign exchange gains ($3.8 million in gains for the 2008 period compared to losses of $3.9 million during the 2007 period). This increase to EBITDA was offset somewhat by a $3.4 million decrease in minority interests in subsidiaries' loss.

Polymers

The operating results of our North American polymers business are classified as discontinued operations, and, accordingly, the revenues of this business are excluded from the Polymers segment revenues for all periods presented. The EBITDA of our North American polymers business is included in the Polymers segment EBITDA for all periods presented.

The EBITDA in the 2007 period resulted from post-closing adjustments related to the North American Polymers Disposition. For more information, see "Note 3. Discontinued Operations North American Polymers Business" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Base Chemicals

The operating results of our base chemicals 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 base chemicals business is included in the Base Chemicals segment EBITDA for all periods presented.

For the three months ended September 30, 2008, Base Chemicals segment EBITDA increased to $1.3 million, as compared with a loss of $14.4 million in the 2007 period. This increase in Base Chemicals segment EBITDA resulted from adjustments to the losses recorded in connection with the

Table of Contents

U.S. Base Chemicals Disposition and the U.K. Petrochemicals Disposition. For more information, see "Note 3. Discontinued Operations U.S. Base Chemicals Business" and "Note 3. Discontinued Operations European Base Chemicals and Polymers Business" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Nine Months Ended September 30, 2008 Compared with Nine Months Ended September 30, 2007

For the nine months ended September 30, 2008, we had net income of $10.8 million on revenues of $8,166.6 million, compared with a net loss of $174.3 million on revenues of $7,146.9 million for the 2007 period. For the nine months ended September 30, 2008, Huntsman International had net income of $53.1 million on revenues of $8,166.6 million compared with a net loss of $7.0 million on revenues of $7,146.9 million for the 2007 period. The increase of $185.1 million in our net income and the increase of $60.1 million in Huntsman International's net income was the result of the following items:

Revenues for the nine months ended September 30, 2008 increased by $1,019.7 million, or 14%, as compared with the 2007 period due principally to higher average selling prices in all of our segments and higher sales volumes in our Polyurethanes, partially offset by lower sales volumes in our and Materials and Effects, Performance Products and Pigments segments. For more information, see " Segment Analysis" below.

Our gross profit and the gross profit of Huntsman International for the nine months ended September 30, 2008 decreased by $80.1 million and $79.7 million, respectively, or 7% each, as compared with the 2007 period. Gross profit was lower in all of our segments except Performance Products. For more information, see " Segment Analysis" below.

Our operating expenses and the operating expenses of Huntsman International for the nine months ended September 30, 2008 increased by $44.2 million and $44.6 million, respectively, or 6% each, as compared with the 2007 period. The increase resulted primarily from a $13.4 million increase in research and development costs and higher overall selling, general and administrative costs, which largely resulted from the weakening of the U.S. dollar versus other relevant currencies. These increased expenses were partially offset by an $11.3 million increase in foreign exchange gains ($0.1 million of gains in the 2008 period as compared with $11.2 million of losses in the 2007 period),

Restructuring, impairment and plant closing costs for the nine months ended September 30, 2008 decreased to $8.6 million from $33.5 million in the 2007 period. For more information concerning restructuring activities, see "Note 6 Restructuring, Impairment and Plant Closing Costs" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Our net interest expense and the net interest expense of Huntsman International for the nine months ended September 30, 2008 decreased by $16.8 million and $17.4 million, respectively, or 8% each, as compared with the 2007 period. This decrease was primarily due to lower average interest rates on borrowings.

Expenses associated with the Merger for the nine months ended September 30, 2008 consisted primarily of Merger-related professional fees and board of directors fees. For the nine months ended September 30, 2007, the expenses consisted primarily of Merger-related legal fees and the Basell Termination Fee. For more information regarding these Merger-related expenses, see "Note 15. Expenses Associated with the Merger" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Our income tax expense and Huntsman International's tax expense increased by $51.0 million and $6.8 million, respectively, as compared with the same period in 2007. Our and Huntsman International's tax obligations are affected by the mix of income and losses in the tax

jurisdictions in which we operate. On April 12, 2007, we received a Revenue Agent Report from the IRS related to the examination of our federal income tax returns for the years 2002 through 2004. The IRS initially proposed a decrease to our net operating losses of approximately $387 million related to transactions completed in 2002. However, on January 5, 2008, we were notified by the IRS that no adjustment would be made to our net operating loss for this disputed item. As a result of the settlement of this audit cycle and the effective settlement of two uncertain tax positions in other countries, during the nine months ended September 30, 2008, we recorded a decrease in unrecognized tax benefits and a corresponding income tax benefit of $18.4 million. For further information concerning taxes, see "Note 20. Income Taxes" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

The income (loss) from discontinued operations represents the operating results and impairment and gain (loss) on disposal with respect to each of our U.S. base chemicals business, our North American polymers business, our European base chemicals and polymers business and our TDI business. For more information, see "Note 3. Discontinued Operations" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

The extraordinary gain (loss) on the acquisition of a business relates to the June 30, 2006 acquisition of our textile effects business. During the nine months ended September 30, 2008, we recorded an extraordinary gain on the acquisition of $10.4 million related to the reversal of accruals for certain employee termination costs recorded in connection with the Textile Effects Acquisition that were no longer deemed necessary and a reimbursement by Ciba of certain restructuring costs associated with the acquisition. During the nine months ended September 30, 2007, we adjusted the preliminary purchase price allocation and finalized post-closing working capital adjustments, resulting in our recording an extraordinary loss on the acquisition of $6.5 million. For more information, see "Note 4. Business Combinations Textile Effects Acquisition" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Table of Contents

Segment Analysis

	Nine months ended September 30, 2008	2007	Percent Change
Revenues			
Polyurethanes	$3,258.6	$2,824.6	15%
Materials and Effects	1,925.2	1,806.0	7%
Performance Products	2,097.1	1,690.5	24%
Pigments	885.7	834.5	6%
Corporate and Other	126.5	112.8	12%
Eliminations	(126.5)	(121.5)	4%
Total	$8,166.6	$7,146.9	14%
Huntsman Corporation			
Segment EBITDA			
Polyurethanes	$ 368.8	$ 449.7	(18)%
Materials and Effects	135.3	158.2	(14)%
Performance Products	184.5	153.3	20%
Pigments	32.9	45.0	(27)%
Corporate and Other	(184.4)	(358.9)	(49)%
Subtotal	537.1	447.3	20%
Polymers	3.9	(194.5)	NM
Base Chemicals	3.7	19.7	(81)%
Total	$ 544.7	$ 272.5	100%
Huntsman International			
Segment EBITDA			
Polyurethanes	$ 368.8	$ 449.7	(18)%
Materials and Effects	135.3	158.2	(14)%
Performance Products	184.5	153.3	20%
Pigments	32.9	45.0	(27)%
Corporate and Other	(154.3)	(158.9)	(3)%
Subtotal	567.2	647.3	(12)%
Polymers	3.9	(194.5)	NM
Base Chemicals	3.7	19.7	(81)%
Total	$ 574.8	$ 472.5	22%

Period-Over-Period Increase (Decrease)	**Average Selling Price**	**Sales Volumes**
Polyurethanes(1)	11%	4%
Materials and Effects	12%	(5)%
Performance Products(1)	32%	(7)%
Pigments	10%	(4)%

(1) Excludes revenues and sales volumes from tolling arrangements.

NM Not meaningful.

Table of Contents

Polyurethanes

For the nine months ended September 30, 2008, Polyurethanes segment revenues increased as a result of both higher average selling prices and increased sales volumes. MDI average selling prices increased by 7% primarily due to global price increase initiatives and foreign exchange movements as the U.S. dollar weakened against other relevant currencies. Average selling prices for MTBE increased by 39% due to improved market demand as well as in response to higher raw material costs. For our Polyurethanes segment, the increase in sales volumes was primarily driven by continued growth in Europe and Asia, which was partially offset by lower sales volumes in the Americas that resulted from slower construction-related demand and production outages related to the recent U.S. Gulf Coast storms. Segment EBITDA decreased principally on lower margins, as sharply higher raw material and energy costs and effects of the recent U.S. Gulf Coast storms more than offset improved average selling prices and the increase in sales volumes.

Materials and Effects

For the nine months ended September 30, 2008, Materials and Effects segment revenues increased primarily as a result of higher average selling prices. Average selling prices increased as a result of price increase initiatives in certain markets and regions and foreign exchange movements as the U.S. dollar weakened against other relevant currencies. Sales volumes for the nine months ended September 30, 2008 were lower than the 2007 period. Sales volumes for our textile effects products decreased by 14% primarily as a result of a slowdown in Western European and North American end markets. Sales volumes for our advanced materials products increased by 2%, primarily as a result of higher demand in Asia. Segment EBITDA from our advanced materials products increased by $5.3 million as a result of higher contribution margins as higher sales volumes and higher average selling prices more than offset higher raw materials, energy and manufacturing costs. Particularly for our textile effects products, the positive effect on revenues of the U.S. dollar weakness was more than offset by its effect on our fixed costs. Segment EBITDA from our textile effects products decreased by $28.2 million due to lower sales volumes and lower margins as raw material and energy costs increased by more than average selling prices. During the nine months ended September 30, 2008 and 2007, our Materials and Effects segment recorded restructuring and plant closing charges of $2.9 million and $18.6 million, respectively. For more information concerning restructuring activities, see "Note 6. Restructuring, Impairment and Plant Closing Costs" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Performance Products

For the nine months ended September 30, 2008, Performance Products segment revenues increased primarily due to a rise in selling prices and higher toll manufacturing revenues, offset by lower sales volumes. Average selling prices rose in response to higher raw material costs and as a result of foreign exchange movements as the U.S. dollar weakened against other relevant currencies. The reduction in sales volumes was primarily due to the conversion of most of our ethylene glycol business to a toll manufacturing operation in 2008 and lower olefin by-product sales that more than offset volume increases in other product groups. Segment EBITDA increased principally on increased volumes of higher margin products and expanded margins as higher average selling prices more than offset increases in raw material, energy and fixed costs.

Pigments

For the nine months ended September 30, 2008, Pigments segment revenues increased primarily as a result of higher average selling prices in local currencies in Asia, North America and global emerging markets and from foreign exchange movements as the U.S. dollar weakened against other relevant currencies. Sales volumes were lower primarily due to lower demand in Europe, North America and

Table of Contents

emerging markets, offset in part by higher sales volumes in Asia. The positive effect on revenues of the U.S. dollar weakness was substantially offset by its effect on our fixed costs. Segment EBITDA decreased principally due to reduced margins resulting from higher raw material and energy costs.

Corporate and Other Huntsman Corporation

Corporate and Other includes unallocated corporate overhead, foreign exchange gains and losses, loss on accounts receivable securitization program, loss on the early extinguishment of debt, other non-operating income and expense, minority interest in subsidiaries' (income) loss, extraordinary gain (loss) on acquisition of a business, Merger-related expenses and the operating results of our Australian styrenics business. The increase in EBITDA from Corporate and Other for the nine months ended September 30, 2008 resulted primarily from a $170.2 million decrease in expenses associated with the Merger ($34.8 million recorded in the 2008 period compared to $205.0 million in the 2007 period). For more information regarding these Merger-related expenses, see "Note 15. Expenses Associated with the Merger" to our condensed consolidated financial statements (unaudited) included elsewhere in this report. Additionally, for the nine months ended September 30, 2008 EBITDA was higher due to $16.9 million of favorable adjustments to the extraordinary gain on acquisition (a $10.4 million gain recorded in the 2008 period compared to a $6.5 million loss in the 2007 period) related to the Textile Effects Acquisition. For more information regarding extraordinary gain associated with the Textile Effects Acquisition, see "Note 4. Business Combinations Textile Effects Acquisition" to our condensed consolidated financial statements (unaudited) included elsewhere in this report. These increases in EBITDA were offset somewhat by a $20.6 million decrease in minority interests in subsidiaries' loss and a $10.2 million increase in corporate information technology costs.

Corporate and Other Huntsman International

Corporate and Other includes unallocated corporate overhead, foreign exchange gains and losses, loss on accounts receivable securitization program, loss on the early extinguishment of debt, other non-operating income and expense, minority interest in subsidiaries' (income) loss, extraordinary gain (loss) on acquisition of a business, and the operating results of our Australian styrenics business. The increase in EBITDA from Corporate and Other for the nine months ended September 30, 2008 resulted primarily from $16.9 million of favorable adjustments to the extraordinary gain on acquisition ($10.4 million gain recorded in the 2008 period compared to a $6.5 million loss in the 2007 period) related to the Textile Effects Acquisition. For more information regarding extraordinary gain associated with the Textile Effects Acquisition, see "Note 4. Business Combinations Textile Effects Acquisition" to our condensed consolidated financial statements (unaudited) included elsewhere in this report. This increase in EBITDA was offset somewhat by a $20.6 million decrease in minority interests in subsidiaries' loss and a $10.2 million increase in corporate information technology costs.

Polymers

The operating results of our North American polymers business are classified as discontinued operations, and, accordingly, the revenues of this business are excluded from the Polymers segment revenues for all periods presented. The EBITDA of our North American polymers business is included in the Polymers segment EBITDA for all periods presented.

For the nine months ended September 30, 2008, Polymers segment EBITDA increased to $3.9 million as compared with a loss of $194.5 million in the 2007 period. The EBITDA loss in the 2007 period resulted primarily from a $240.0 million impairment loss recorded in anticipation of the North American Polymers Disposition. The EBITDA in the 2008 period resulted from property tax settlements and post-closing adjustments to the loss on disposal. For more information, see "Note 3. Discontinued Operations North American Polymers Business" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Table of Contents

Base Chemicals

The operating results of our base chemicals 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 base chemicals business is included in the Base Chemicals segment EBITDA for all periods presented.

For the nine months ended September 30, 2008, Base Chemicals segment EBITDA decreased to $3.7 million as compared with $19.7 million in the 2007 period. This decrease in Base Chemicals segment EBITDA resulted from lower adjustments to the losses recorded in connection with the U.S. Base Chemicals Disposition and the U.K. Petrochemicals Disposition. For more information, see "Note 3. Discontinued Operations U.S. Base Chemicals Business" and "Note 3. Discontinued Operations European Base Chemicals and Polymers Business" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

LIQUIDITY AND CAPITAL RESOURCES

The following is a discussion of our liquidity and capital resources and does not include separate information with respect to Huntsman International in accordance with General Instructions H(1)(a) and (b) of Form 10-Q.

Cash

Net cash provided by operating activities for the nine months ended September 30, 2008 and 2007 was $46.3 million and $43.3 million, respectively. The increase in cash provided by operations was primarily attributable to an $82.4 million favorable variance in operating assets and liabilities changes, offset by lower operating income as described in " Results of Operations" above.

Net cash used in investing activities for the nine months ended September 30, 2008 and 2007 was $400.5 million and $90.7 million, respectively. During the nine months ended September 30, 2008 and 2007, we paid $325.3 million and $466.7 million, respectively, for capital expenditures. The capital expenditures for the nine months ended September 30, 2007 included $159.8 million spent on our former Port Arthur, Texas facility that was previously damaged by fire. During the nine months ended September 30, 2008, we paid $9.5 million for certain intangible assets in our Materials and Effects segment. During the nine months ended September 30, 2008 and 2007, we received $1.9 million and $364.3 million, respectively, from the sale of assets. On August 1, 2007, we completed the North American Polymers Disposition for approximately $355 million, of which $348.3 million was received as of September 30, 2007. During the nine months ended September 30, 2008, we made $27.9 million of payments related to certain expenditures to rebuild our former Port Arthur, Texas facility, resulting in an adjustment to the sales proceeds. See "Note 3. Discontinued Operations U.S. Base Chemicals Business" to our condensed consolidated financial statements (unaudited) included elsewhere in this report. During the nine months ended September 30, 2008, we contributed $43.5 million to our ethylenamines joint venture in Saudi Arabia. During the nine months ended September 30, 2007, we finalized our post-closing adjustments with respect to the Textile Effects Acquisition, resulting in a reduction to the purchase price of $12.9 million.

Net cash provided by financing activities for the nine months ended September 30, 2008 was $308.7 million as compared with a use of cash of $74.0 million in the 2007 period. This increase in net cash provided by financing activities was primarily due to higher borrowings under our revolving loan facilities and lower net repayments of debt in the 2008 period as compared to the 2007 period.

Table of Contents

Changes in Financial Condition

The following information summarizes our working capital position as of September 30, 2008 and December 31, 2007 (dollars in millions):

	September 30, 2008	December 31, 2007	Increase (Decrease)	Percent Change
Cash and cash equivalents	$ 107.2	$ 154.0	$ (46.8)	(30)%
Restricted cash	5.9		5.9	NM
Accounts receivable, net	1,303.9	1,262.7	41.2	3%
Inventories, net	1,541.1	1,451.9	89.2	6%
Prepaid expenses	54.3	37.4	16.9	45%
Deferred income taxes	72.2	72.6	(0.4)	(1)%
Other current assets	94.3	116.6	(22.3)	(19)%
Total current assets	3,178.9	3,095.2	83.7	3%
Accounts payable	1,005.1	1,018.4	(13.3)	(1)%
Accrued liabilities	876.9	885.2	(8.3)	(1)%
Deferred income taxes	3.2	3.2		
Current portion of long-term debt	451.1	68.5	382.6	559%
Total current liabilities	2,336.3	1,975.3	361.0	18%
Working capital	$ 842.6	$ 1,119.9	$ (277.3)	(25)%

Our working capital decreased by $277.3 million as a result of the net impact of the following significant changes:

The decrease in cash and cash equivalents of $46.8 million resulted from the matters identified in the condensed consolidated statements of cash flows contained in our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Accounts receivable increased by $41.2 million mainly due to higher sales and the effects of the weaker U.S. dollar versus other relevant currencies.

Inventories increased by $89.2 million mainly due to higher raw material costs and the effects of the weaker U.S. dollar versus other relevant currencies, while inventory quantities have declined.

Prepaid expenses increased by $16.9 million primarily as a result of our prepayment of certain annual insurance contracts on July 1, 2008.

Other current assets decreased by $22.3 million principally from a reduction of income tax and other current receivables and investments in government securities.

Current portion of long-term debt increased by $382.6 million mainly due to an increase in borrowing under the Revolving Facility primarily used to fund working capital and operational requirements. The Revolving Facility matures in the third quarter of 2010.

Subsidiary Debt

With the exception of our guarantees of certain debt of our Chinese and Saudi Arabia joint ventures and certain indebtedness incurred from time to time to finance insurance premiums, we have no direct debt or guarantee obligations. Substantially all of our debt has been incurred by our subsidiaries (primarily Huntsman International); such debt is non-recourse to us and we have no contractual obligation to fund our subsidiaries' respective operations.

Table of Contents

Transactions Affecting our Senior Credit Facilities

As of September 30, 2008, our Senior Credit Facilities consisted of (i) the $650.0 million Revolving Facility and (ii) the $1,540.0 million Dollar Term Loan. As of September 30, 2008, there were $353.7 million borrowings outstanding under our Revolving Facility, which is classified as current in the accompanying balance sheets (unaudited), and we had approximately $34.4 million in U.S. dollar equivalents of letters of credit and bank guarantees issued and outstanding under our Revolving Facility. The Revolving Facility matures in the third quarter of 2010 and the Dollar Term Loan matures in 2014; provided however, that the maturities of each will accelerate if we do not repay all but $100 million of our outstanding debt securities on or before three months prior to the maturity dates of such securities. The next maturity date of such securities is in October of 2010.

As of September 30, 2008, borrowings under the Revolving Facility and Dollar Term Loan bore interest at LIBOR plus 1.75%. The applicable interest rate of the Dollar Term Loan is currently set at LIBOR plus 1.75%, subject to a reduction to LIBOR plus 1.50% upon achieving certain secured leverage ratio thresholds defined in our credit agreements. The credit agreements governing our Senior Credit Facilities contain one financial covenant, which is applicable only to the Revolving Facility, and this covenant is only in effect when loans or letters of credit are outstanding under the Revolving Facility. Our Senior Credit Facilities agreements provide for, among other things, customary restrictions and limitations on our ability to incur liens, incur additional debt, merge or sell assets, make certain restricted payments, prepay other indebtedness, make investments or engage in transactions with affiliates, and also contain other customary default provisions.

Other Transactions Affecting Our Debt

HPS, our splitting joint venture with Shanghai Chlor-Alkali Chemical Company, Ltd, maintains a working capital line as part of its overall secured credit facilities. In February 2008, HPS borrowed an additional RMB 122.8 million ($18.0 million) to fund its working capital and operating requirements. As of September 30, 2008, HPS had $26.0 million and RMB 688.6 million ($101.0 million) outstanding under its credit facilities.

On June 30, 2008, our subsidiary, Huntsman (UK) Limited, entered into a $125.0 million short term committed revolving credit facility maturing on September 28, 2009 (the "Short Term Revolving Facility"), of which nil was drawn as of September 30, 2008. The Short Term Revolving Facility will be secured, pursuant to the terms of a debenture governed by English law, by all existing and after acquired personal property of Huntsman Holdings (UK) Limited, including certain intercompany notes, some of which are secured in nature. The Short Term Revolving Facility is supported by an unsecured parent company guarantee provided by Huntsman International. At our option, the Short Term Revolving Facility may bear interest at a rate equal to (i) a LIBOR-based eurocurrency rate plus an applicable margin ranging between 3.00% and 4.00%, or with respect to euro denominated loans a EURIBOR-based rate plus an applicable margin ranging between 3.00% and $4.00% or (ii) a prime-based rate plus an applicable margin ranging between 2.00% or 3.00%, depending on the level of borrowings under the facility. The Short Term Revolving Facility contains two financial covenants, including a leverage covenant which is consistent with the Senior Credit Facilities and a minimum tangible net worth covenant. Our Short Term Revolving Facility agreement provides for, among other things, customary restrictions and limitations on our ability to incur liens, incur additional debt, merge or sell assets, prepay other indebtedness, make investments or engage in transactions with affiliates, and also contains other customary default provisions.

During the third quarter of 2008, our other debt increased mainly due to the financing of our insurance premiums in connection with our annual renewal in July 2008. As of September 30, 2008, the amount of the financed insurance premiums was $27.4 million, all of which was classified as current. The insurance premium financing is secured by the unearned insurance premiums.

Table of Contents

The Merger Agreement provides certain restrictions and limitations concerning the amendment of debt agreements, the extension, repayment and refinancing of certain debt, in addition to the incurrence of new debt.

Compliance with Covenants

Our management believes that we are in compliance with the covenants contained in the agreements governing the Senior Credit Facilities, Short Term Revolving Facility, the Australian Credit Facilities, the A/R Securitization Program and the indentures governing our notes.

Short-Term and Long-Term Liquidity

We depend upon our credit facilities and other debt instruments to provide liquidity for our operations and working capital needs. As of September 30, 2008, we had $536.1 million of combined cash and combined unused borrowing capacity, consisting of $113.1 million in cash and restricted cash, $261.9 million in availability under our Revolving Facility, $125 million in availability under our Short Term Revolving Facility, $16.0 million attributable to our European overdraft facility and $20.1 million in availability under our A/R Securitization Program.

Our liquidity has been significantly impacted by recent transactions and increases in accounts receivable and inventory, net of accounts payable. During the nine months ended September 30, 2008, our accounts receivable and inventory, net of accounts payable increased $154.6 million as reflected on our condensed consolidated statement of cash flows (unaudited) included elsewhere in this report. During the nine months ended September 30, 2008, we contributed approximately $43.5 million to our ethylenamines manufacturing joint venture in Jubail Industrial City, Saudi Arabia with Zamil Group. Relating to this project, we expect to receive in the fourth quarter of 2008 approximately $10 million from a third party loan reimbursing us for a portion of our equity contributions we previously made. This joint venture's funding requirements will be satisfied through a combination of debt and equity, with the equity already provided on a 50/50 basis by us and Zamil Group. We expect the facility to come on line in early 2010 with annual capacity of 60 million pounds.

In connection with a multi-year turnaround and inspection program, we spent $66.8 million during the nine months ended September 30, 2008 on scheduled maintenance, repairs and catalyst replacement (turnaround) at our Performance Products manufacturing site in Port Neches, Texas (of which $7.6 million was spent in the three months ended September 30, 2008).

As of September 30, 2008, the amount outstanding under our A/R Securitization Program was $422 million as compared with $503 million as of June 30, 2008. This reduction was largely due to a decrease in accounts receivable sold into the A/R Securitization Program primarily as a result of the impact of the recent U.S. Gulf Coast storms.

As discussed above in " Other Transactions Affecting Our Debt," at the end of the second quarter of 2008, we entered into the Short Term Revolving Facility and increased our liquidity.

We anticipate that our liquidity will be impacted by our ongoing fire claim. As a result of the fire damage at our Port Arthur, Texas facility that occurred on April 29, 2006, we have received, and anticipate receiving additional, settlements of insurance claims. We completed the rebuild and commissioning of the facility in the fourth quarter of 2007. The settlement of insurance claims will continue during 2008 and 2009. See "Note 16. Commitments and Contingencies Port Arthur Plant Fire Insurance Litigation" and "Note 19. Casualty Losses and Insurance Recoveries Port Arthur, Texas Plant Fire" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Table of Contents

Capital Expenditures

We incurred capital expenditures of $325.3 million for the nine months ended September 30, 2008, as compared with $466.7 million in the 2007 period. Capital expenditures for the nine months ended September 30, 2008 included spending on the maleic anhydride expansion at our Geismar, Louisiana site, the expansion at our Greatham, U.K. titanium dioxide facility, as well as other smaller projects. Capital expenditures for the nine months ended September 30, 2007 included spending of $159.8 million for the rebuild of our fire damaged Port Arthur, Texas ethylene facility sold in November 2007.

We expect to finance our capital expenditure commitments through a combination of cash flows from operations and financing arrangements. We expect to spend, in total, between approximately $440 million and $450 million on capital projects in 2008.

Off-Balance Sheet Arrangements

Receivables Securitization

For a discussion of our A/R Securitization Program, see "Note 10. Securitization of Accounts Receivable" to our condensed consolidated financial statements (unaudited) included elsewhere in this report. Our A/R Securitization Program matures in April 2009, and we currently intend to extend the program.

Financing of Chinese MDI Facilities

On September 19, 2003, SLIC obtained secured financing for the construction of production facilities. SLIC obtained various committed loans in the aggregate amount of approximately $230 million in U.S. dollar equivalents. As of September 30, 2008, there were $74.5 million and RMB 921.4 million ($135.1 million) in outstanding borrowings under these facilities. The interest rate on these facilities is LIBOR plus 0.48% for U.S. dollar borrowings and 90% of the Peoples Bank of China rate for RMB borrowings. The loans are secured by substantially all the assets of SLIC and will be paid in 16 semiannual installments (of which 13 installments remain), which began on June 30, 2007. We unconditionally guarantee 35% of any amounts due and unpaid by SLIC under the loans described above (except for the VAT facility which is not guaranteed). Our guarantee remains in effect until SLIC has met certain conditions. The conditions outstanding include completion of the building and equipment mortgage registrations, which are progressing as planned, and maintaining a debt service coverage ratio of at least 1:1 at the time such registrations are completed. We have estimated that the fair value of this guarantee was nil as of the closing of the transaction and, accordingly, no amounts have been recorded.

Financing of Saudi Arabia Joint Venture

Our Saudi Arabia joint venture obtained various loan commitments in the aggregate amount of approximately $195 million in U.S. dollar equivalents, of which nothing was drawn as of September 30, 2008. We have provided certain guarantees of approximately $14 million for these commitments which will cease to exist upon completion of the project and satisfaction of certain conditions. We have estimated that the fair value of these guarantees was nil as of the closing date of this transaction and, accordingly, no amounts have been recorded.

Restructuring, Impairment and Plant Closing Costs

For a discussion of restructuring, impairment and plant closing costs, see "Note 6. Restructuring, Impairment and Plant Closing Costs" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Table of Contents

Legal Proceedings

For a discussion of legal proceedings, see "Note 16. Commitments and Contingencies Legal Matters" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Environmental, Health and Safety Matters

For a discussion of environmental, health and safety matters, see "Note 17. Environmental, Health and Safety Matters" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Recently Issued Accounting Pronouncements

For a discussion of recently issued accounting pronouncements, see "Note 2. Recently Issued Accounting Pronouncements" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Critical Accounting Policies

Our critical accounting policies are presented in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2007. For a discussion of developments related to long-lived asset impairments see "Note 3. Discontinued Operations" and "Note 4. Business Combinations" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

On January 15, 2008, we entered into a series of forward foreign currency contracts in our Pigments segment to partially hedge the impact, for up to one year, of movements in foreign currency rates associated with the purchases of raw materials and sales of pigment in non-functional currencies. As of September 30, 2008, these contracts had a notional amount of approximately $38 million and are designated as cash flow hedges. As of September 30, 2008, these contracts had a fair value of $1.1 million and were recorded in accrued liabilities on the accompanying condensed consolidated balance sheet (unaudited) included elsewhere in this report. For the three months ended September 30, 2008, the effective portion of the changes in the fair value of $3.8 million was recorded as expense in other comprehensive income, with ineffectiveness of $0.3 million recorded as a reduction in sales, $0.5 million recorded as a reduction in cost of goods sold and a foreign currency loss of $0.5 million. For the nine months ended September 30, 2008, the effective portion of the changes in the fair value of $0.9 million was recorded as expense in other comprehensive income, with ineffectiveness of $0.1 million recorded as an increase in sales, $1.9 million recorded as a reduction in cost of goods sold and a foreign currency gain of $0.8 million.

As of and for the three and nine months ended September 30, 2008, the fair value and realized gains (losses) of our other outstanding foreign currency rate hedging contracts were not significant.

We have a cross currency interest rate swap pursuant to which we have agreed to swap $152.6 million of LIBOR floating rate debt payments for €115.9 million of EURIBOR floating rate debt payments. During the life of this swap, we will receive floating rate interest (LIBOR) in dollars and we will pay floating rate interest (EURIBOR) in euros. This swap is currently not designated as a hedge for financial reporting purposes. As of September 30, 2008, the fair value of this swap was

$13.4 million, net of accrued interest, and was recorded in other noncurrent liabilities in our condensed consolidated balance sheet (unaudited) included elsewhere in this report. For the three and nine months ended September 30, 2008, we recorded an unrealized foreign currency gain on this swap of $19.3 million and $6.1 million, respectively, in the condensed consolidated statement of operations (unaudited) included elsewhere in this report. On October 24, 2008, we terminated this swap and will recognize a cash benefit of $0.4 million during the fourth quarter of 2008.

We also have a cross currency interest rate swap pursuant to which we have agreed to swap $95.8 million of LIBOR floating rate debt payments for €70.7 million of EURIBOR floating rate debt payments. During the life of this swap, we will receive floating rate interest (LIBOR) in dollars and we will pay floating rate interest (EURIBOR) in euros. This swap was designated as a hedge of a net investment for financial reporting purposes. As of September 30, 2008, the fair value of this swap was $4.6 million, net of accrued interest, and was recorded in other noncurrent liabilities in our condensed and consolidated balance sheet (unaudited) included elsewhere in this report. For the three and nine months ended September 30, 2008, the effective portion of the changes in the fair value of $12.1 million and $4.7 million, respectively, was recorded as income in other comprehensive income, with ineffectiveness of $0.6 million and $0.9 million, respectively, recorded in interest expense in the condensed consolidated statement of operations (unaudited) included elsewhere in this report. On October 24, 2008, we terminated this swap and will recognize a cash benefit of $3.1 million during the fourth quarter of 2008.

From time to time, we review our non-U.S. dollar-denominated debt and swaps to determine the appropriate amounts designated as hedges. As of September 30, 2008, we have designated approximately €390.7 million of debt and swaps as net investment hedges. As of September 30, 2008, we had approximately €1,073.2 million in net euro-denominated assets.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of September 30, 2008. Based on this evaluation, our chief executive officer and chief financial officer have concluded that, as of September 30, 2008, our disclosure controls and procedures were effective, in that they ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and (2) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

No changes to our internal control over financial reporting occurred during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). However, we cannot give any assurance that our internal controls over financial reporting will be completely effective. Ineffective internal controls over financial reporting could cause investors to lose confidence in our reported financial information and could result in a lower trading price for our securities.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

ENVIRONMENTAL ENFORCEMENT PROCEEDINGS

On occasion, we receive notices of violation, enforcement or other complaints from regulatory agencies alleging non-compliance with applicable EHS laws. Based on currently available information and our past experience, we do not believe that the resolution of any pending or threatened environmental enforcement proceedings will have a material impact on our financial condition, results of operations or cash flows.

In May 2007, our operation in Wilton, U.K., allegedly caused a discharge of wastewater effluent to be made to Northumbrian Water's Bran Sands treatment facility that contained elevated levels of nitrobenzene. Northumbrian Water alleges that this discharge caused a disruption of its treatment facility which, in turn, exceeded its discharge consent from the U.K. Environmental Agency. The Environmental Agency is investigating a possible prosecution against Northumbrian Water and/or us for the breach. Northumbrian Water has threatened to prosecute our subsidiary in the U.K. To date, however, no charges have been filed.

OTHER LEGAL PROCEEDINGS

For a discussion of other legal proceedings, see "Note 16. Commitments and Contingencies Legal Matters" and "Note 17. Environmental, Health and Safety Matters Remediation Liabilities" to our condensed consolidated financial statements (unaudited) included elsewhere in this report.

Table of Contents

ITEM 1A. RISK FACTORS

Any of the following risks could materially and adversely affect our business, results of operations and financial condition. For additional risk factors, see "Part I. Item 1A. Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2007.

Risks Related to the Merger

Any failure to complete the Merger could materially adversely impact the market price of our common stock as well as our business, financial condition and results of operations.

On October 27, 2008, the Lenders notified Hexion that they did not believe that the solvency opinion we procured from American Appraisal and the solvency certificate proposed to be provided by our chief financial officer met the condition of their Commitment Letter and effectively said that, as a result, the Lenders would not fund the proposed closing of the Merger. As such, the Merger did not close on the scheduled date, October 28, 2008, and has not closed as of the date of this report. Please see "Note 16. Commitments and Contingencies Legal Matters" to our condensed consolidated financial statements (unaudited) included elsewhere in this report. If the Merger is not completed for any reason, the price of our common stock may decline further to the extent that the current market price of our common stock reflects market assumptions that the Merger will be completed or that all or a portion of the premium implied by the merger consideration will be realized. We may also be subject to additional risks, including:

- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement with Hexion, or the failure of the Merger to close for any other reason;

- our management having spent a significant amount of their time and efforts directed toward the Merger and the related transactions, which time and efforts otherwise would have been spent on our business and other opportunities that could have been beneficial to us;

- costs relating to the Merger and related transactions, such as legal, accounting and filing fees, much of which must be paid regardless of whether the Merger is completed;

- uncertainties relating to the Merger and related transactions may adversely affect our relationships with our employees, vendors and customers; and

- the outcome of the pending litigation that has been instituted against us, or new litigation that may be instituted against us, our board of directors and others relating to the Merger Agreement or any settlement of such litigation or judicial actions.

Accordingly, investors should not place undue reliance on the occurrence of the Merger. In addition, if the Merger does not occur, there can be no assurance that a comparable transaction will be consummated that results in investors' shares being purchased or that we will receive any termination fee under the Merger Agreement. The realization of any of these risks may materially adversely affect our business, financial condition, results of operations or the market price of our common stock.

If the Lenders that have provided the Commitment Letter for the funds to complete the Merger are not required to fund, Hexion will have to seek other financing to complete the Merger, which financing may not be available.

Hexion has obtained the Commitment Letter for senior secured credit facilities and a senior secured bridge facility with affiliates of Credit Suisse and Deutsche Bank AG to be made available to Hexion and/or one or more of its subsidiaries for purposes of, among other things, financing the merger consideration. Hexion's ability to draw on the proposed loan facility is subject to the satisfaction of certain conditions. Under the Merger Agreement, Hexion's obligation to consummate the Merger is not conditioned upon receipt or availability of financing. On October 27, 2008, the Lenders notified Hexion that they did not believe that the conditions to their obligations under the commitment letter with Hexion had been met and effectively said that, as a result, the Lenders would not fund the proposed closing of the Merger scheduled for October 28, 2008. Hexion has sued the lenders in New York state court seeking to enforce Hexion's rights under the Commitment Letter. If Hexion is unsuccessful in causing the Lenders to fund the Merger, Hexion will have to seek other financing to complete the Merger, which financing may not be available. For more information, see " Recent Developments Merger Agreement and Related Litigation" above.

If Hexion fails to complete the Merger, we may not be able to recover damages sufficient to compensate us for Hexion's failure to fulfill its obligations under the Merger Agreement.

On September 29, 2008, the Delaware Chancery Court issued an order and final partial judgment that we had not suffered a material adverse effect in our business and that Hexion had knowingly and intentionally violated numerous covenants in the Merger Agreement. The order requires that Hexion comply with its covenants and use its reasonable best efforts to consummate the Merger. However, the Delaware Chancery Court also determined that we could not obtain specific performance against Hexion to require them to actually consummate the Merger. Thus, if Hexion fails to consummate the Merger for any reason, our ultimate remedy will be damages in the form of a $325 million termination fee and potential uncapped damages due to Hexion's knowing and intentional breaches of its covenants under the Merger Agreement.

Notwithstanding the Delaware Chancery Court's decision, there remains a risk that if the Merger is not consummated, the court may not award us damages in an amount sufficient to compensate us for our loss due to Hexion's breaches. Moreover, we may not be able to recover all or a portion of any damages owed to us by Hexion due to, among other factors, Hexion's highly leveraged structure.

Even if Hexion fails to complete the Merger, we may not receive the termination fee that would be payable to us in accordance with the terms of the Merger Agreement.

The Merger Agreement provides that if we terminate the Merger Agreement because Hexion committed a terminable breach of its covenants or because Hexion failed to consummate the merger, Hexion must pay us a termination fee of $325 million, in addition to any additional damages to which we may be entitled due to Hexion's knowing and intentional breaches of the Merger Agreement. Hexion's Commitment Letter with the Lenders provides for a termination facility that would permit Hexion to borrow the $325 million termination fee from the Lenders in the event Hexion is reasonably expected to have to pay us the termination fee. However, there can be no assurance that the Lenders would actually lend or that Hexion would borrow or otherwise have the funds necessary to pay us the termination fee.

The period of time expected before completing the Merger may increase the risk that we inadvertently fail to comply with our covenants, including those that restrict our conduct of business, which would permit Hexion to refuse to consummate the Merger.

Certain matters related to the consummation of the Merger are the subject of litigation in Delaware, New York and Texas. Please see "Note 16. Commitments and Contingencies Legal Matters" to our condensed consolidated financial statements (unaudited) included elsewhere in this report. We cannot predict when these litigation matters will be resolved. Further, if the Merger Agreement is not terminated, the extended period of time expected to be necessary to resolve these multiple lawsuits increases the risk that we inadvertently fail to comply with our covenants, including those that restrict our conduct of business. Any material noncompliance with our covenants could permit Hexion to refuse to consummate the Merger.

Table of Contents

We have incurred, and may continue to incur, substantial Merger-related costs.

We have incurred and expect to continue to incur a number of non-recurring costs associated with the Merger and related litigation. These costs are and continue to be substantial and could have an adverse effect on our reported results.

The pendency of the Merger could materially adversely affect our business and operations.

In connection with the pending Merger, some of our vendors, customers and strategic partners have delayed or deferred, and may continue to delay or defer, decisions relating to their ongoing and future relationships with us, which has negatively affected, and could continue to negatively affect our revenues, earnings and cash flows and adversely affect our prospects which could be detrimental to our stockholders if the Merger is not consummated.

Uncertainties associated with the Merger may cause a loss of employees and may otherwise materially adversely affect our business and operations.

Our future results of operations will depend in part upon our ability to retain existing highly skilled and qualified employees and to attract new employees. A number of our employees are highly skilled scientists and highly trained technicians, and failure to continue to attract and retain such individuals could materially adversely affect our ability to compete. In addition, current and prospective employees may experience uncertainty about their roles following the effective time of the Merger. This uncertainty may materially adversely affect our ability to attract and retain key management, sales, marketing, technical and other personnel. This inability to retain key personnel could have an adverse effect on our ability to operate the business as a stand-alone enterprise in the event the Merger is not consummated.

The Merger Agreement contains restrictive covenants that may limit our ability to respond to changes in market conditions or pursue business opportunities.

The Merger Agreement contains restrictive covenants that limit our ability to, among other things:

- incur or guarantee additional indebtedness or raise additional capital;
- purchase equity interests or redeem indebtedness early;
- create or incur certain liens;
- enter into transactions with affiliates;
- issue or sell capital stock of subsidiaries; and
- sell or acquire assets or businesses.

Although the Merger Agreement provides that Hexion will not unreasonably withhold its consent to us taking otherwise prohibited actions, there can be no assurances that Hexion will grant such consent. The requirement that we comply with these provisions prior to the Merger may materially adversely affect our ability to react to changes in market conditions, take advantage of business opportunities, obtain future financing, fund needed capital expenditures, or finance equipment purchases, any of which could have a material and adverse effect on the prospects of our business, which could be detrimental to our stockholders in the event the Merger is not consummated.

Rating agencies could downgrade their corporate debt ratings for us before the effective time of the Merger. Such downgrades could have a material adverse effect on the ongoing cost of financing our business.

Some rating agencies that provide corporate ratings on us or provide ratings on our debt may downgrade their corporate or debt ratings with respect to us in light of the pending Merger and the

financing thereof. A downgrade could materially adversely affect our ability to finance our operations, including increasing the cost of obtaining financing under existing or future facilities or of debt securities, and may affect the payment terms offered by vendors which could result in a negative impact on our liquidity.

Risks Related to the Current Credit Environment

We may not be able to obtain funding because of the deterioration of the credit and capital markets. This may hinder or prevent us from meeting our future capital needs and from refinancing our existing indebtedness.

Global financial markets and economic conditions have been, and continue to be, disrupted and volatile, which has caused a substantial deterioration in the credit and capital markets. These conditions, along with significant write-offs in the financial services sector and the re-pricing of credit risk, will likely continue and may make it difficult to obtain funding for our ongoing capital needs.

In particular, the cost of raising money in the debt and equity capital markets has increased substantially while the availability of funds from those markets generally has diminished significantly. Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at maturity on terms that are similar to existing debt, and reduced, or in some cases ceased, to provide funding to borrowers.

Due to these factors, we cannot be certain that funding for our capital needs from credit and capital markets will be available if needed and, to the extent required, on acceptable terms. In addition, we may be unable to refinance our existing indebtedness on terms that are similar to the terms of our existing indebtedness. If we cannot meet our capital needs or refinance our existing indebtedness, it could have a material adverse effect on our revenues and results of operations.

Our industry is affected by cyclical and global economic factors including the risk of a recession and our customers' access to credit facilities.

Our financial results are substantially dependent upon the overall economic conditions in the United States, the European Union and Asia. A recession in any of these locations or globally or the public perception that a recession is likely could substantially decrease the demand for our products and adversely affect our business. Moreover, many of our customers rely on access to credit to adequately fund their operations. The inability of our customers to access credit facilities will adversely affect our business by reducing our sales, increasing our exposure to accounts receivable bad debts and reducing our profitability.

For information regarding risk factors, see "Part I. Item 1A. Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2007.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

The following table presents shares of restricted stock granted under our stock incentive plan that we withheld upon vesting to satisfy our tax withholding obligations during the three months ended

Table of Contents

September 30, 2008. We have no publicly announced plans or programs to repurchase our common stock.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
July				
August	414	$ 13.94		
September				
Total	414	$ 13.94		

Table of Contents

ITEM 6. EXHIBITS

10.1 Huntsman Corporation's Acceptance of Backstop Commitment dated September 11, 2008, among Huntsman Corporation and certain stockholders (incorporated by reference to Exhibit 99.1 to our current report on Form 8-K filed on September 11, 2008).

10.2 Huntsman Corporation's Acceptance of Backstop Commitment dated September 11, 2008, among Huntsman Corporation and certain Huntsman family stockholders (incorporated by reference to Exhibit 99.2 to our current report on Form 8-K filed on September 11, 2008).

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

Dated: November 6, 2008

HUNTSMAN CORPORATION
HUNTSMAN INTERNATIONAL LLC

By: /s/ J. KIMO ESPLIN

J. Kimo Esplin
Executive Vice President and Chief Financial Officer
(Authorized Signatory and Principal Financial Officer)

By: /s/ L. RUSSELL HEALY

L. Russell Healy
Vice President and Controller
(Authorized Signatory and Principal Accounting Officer)

Table of Contents

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