HUNTSMAN INTERNATIONAL LLC
Form 10-Q
November 04, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

OR

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

For the transition period from to

Commission File Number	Exact Name of Registrant as Specified in its Charter, Principal Office Address and Telephone Number	State of Incorporation	I.R.S. Employer Identification No.
001-32427	Huntsman Corporation 500 Huntsman Way Salt Lake City, Utah 84108 (801) 584-5700	Delaware	42-1648585
333-85141	Huntsman International LLC 500 Huntsman Way Salt Lake City, Utah 84108 (801) 584-5700	Delaware	87-0630358

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

Huntsman Corporation	YES ý	NO o
Huntsman International LLC	YES ý	NO o

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

Huntsman Corporation	YES o	NO o
Huntsman International LLC	YES o	NO o

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

Huntsman Corporation	Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
Huntsman International LLC	Large accelerated filer o	Accelerated filer o	Non-accelerated filer ý	Smaller reporting company o

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

Huntsman Corporation	YES o	NO ý
Huntsman International LLC	YES o	NO ý

On October 29, 2009, 237,285,576 shares of common stock of Huntsman Corporation were outstanding and 2,728 units of membership interests of Huntsman International LLC were outstanding. There is no established trading market for Huntsman International LLC's units of membership interests. All of Huntsman International LLC's units of membership interests are held by Huntsman Corporation.

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

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HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD

ENDED SEPTEMBER 30, 2009

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In Millions, Except Share and Per Share Amounts)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,619	$ 657
Restricted cash	7	5
Accounts and notes receivables (net of allowance for doubtful accounts of $56 and $47, respectively)	1,154	905
Accounts receivable from affiliates	3	8
Inventories	1,113	1,500
Prepaid expenses	59	45
Deferred income taxes	18	21
Other current assets	107	99
Total current assets	4,080	3,240
Property, plant and equipment, net	3,562	3,649
Investment in unconsolidated affiliates	263	267
Intangible assets, net	133	153
Goodwill	94	92
Deferred income taxes	203	284
Notes receivable from affiliates	9	9
Other noncurrent assets	366	364
Total assets	$ 8,710	$ 8,058
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 735	$ 731
Accounts payable to affiliates	12	16
Accrued liabilities	632	617
Deferred income taxes	36	36
Current portion of debt	198	205
Total current liabilities	1,613	1,605
Long-term debt	4,028	3,677
Notes payable to affiliates	5	6
Deferred income taxes	344	117
Other noncurrent liabilities	1,017	1,021
Total liabilities	7,007	6,426
Commitments and contingencies (Notes 14 and 15)		
Equity		
Huntsman Corporation stockholders' equity:		
Common stock $0.01 par value, 1,200,000,000 shares authorized, 237,297,159 and 234,430,334 issued and 233,968,776 and 233,553,515 outstanding in 2009 and 2008, respectively	2	2

Additional paid-in capital	3,152	3,141
Unearned stock-based compensation	(12)	(13)
Accumulated deficit	(1,054)	(1,031)
Accumulated other comprehensive loss	(404)	(489)
Total Huntsman Corporation stockholders' equity	1,684	1,610
Noncontrolling interests in subsidiaries	19	22
Total equity	1,703	1,632
Total liabilities and equity	$ 8,710	$ 8,058

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

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HUNTSMAN CORPORATION AND SUBSIDIARIES

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

(In Millions, Except Per Share Amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Revenues:				
Trade sales, services and fees, net	$ 2,090	$ 2,703	$ 5,630	$ 8,085
Related party sales	18	28	37	82
Total revenues	2,108	2,731	5,667	8,167
Cost of goods sold	1,771	2,381	4,948	7,068
Gross profit	337	350	719	1,099
Operating expenses:				
Selling, general and administrative	214	231	611	692
Research and development	36	39	108	118
Other operating income		(16)	(9)	(3)
Restructuring, impairment and plant closing costs	62	3	139	8
Total operating expenses	312	257	849	815
Operating income (loss)	25	93	(130)	284
Interest expense, net	(65)	(69)	(178)	(199)
Loss on accounts receivable securitization program	(3)	(7)	(13)	(16)
Equity in (loss) income of unconsolidated affiliates	(1)	3	1	10
(Expenses) income associated with the Terminated Merger and related litigation	(2)	(26)	835	(35)
Loss on early extinguishment of debt	(21)		(21)	
Other income	1	1	1	1
(Loss) income from continuing operations before income taxes	(66)	(5)	495	45
Income tax expense		(17)	(449)	(42)
(Loss) income from continuing operations	(66)	(22)	46	3
(Loss) income from discontinued operations, net of tax	(2)	1	(2)	5
(Loss) income before extraordinary gain	(68)	(21)	44	8

Extraordinary gain on the acquisition of a business, net of tax of nil				1				10
Net (loss) income		(68)		(20)		44		18
Net loss (income) attributable to noncontrolling interests						4		(7)
Net (loss) income attributable to Huntsman Corporation	$	(68)	$	(20)	$	48	$	11
Net (loss) income	$	(68)	$	(20)	$	44	$	18
Other comprehensive income (loss)		38		(163)		86		(46)
Comprehensive (loss) income		(30)		(183)		130		(28)
Comprehensive (income) loss attributable to noncontrolling interests		(1)				3		(7)
Comprehensive (loss) income attributable to Huntsman Corporation	$	(31)	$	(183)	$	133	$	(35)

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HUNTSMAN CORPORATION AND SUBSIDIARIES

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

(In Millions, Except Per Share Amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Basic (loss) income per share:				
(Loss) income from continuing operations attributable to Huntsman Corporation common stockholders	$ (0.28)	$ (0.10)	$ 0.21	$ (0.02)
(Loss) income from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax	(0.01)			0.02
Extraordinary gain on the acquisition of a business, net of tax		0.01		0.05
Net (loss) income attributable to Huntsman Corporation common stockholders	$ (0.29)	$ (0.09)	$ 0.21	$ 0.05
Weighted average shares	234.0	233.6	233.9	231.4
Diluted (loss) income per share:				
(Loss) income from continuing operations attributable to Huntsman Corporation common stockholders	$ (0.28)	$ (0.10)	$ 0.21	$ (0.02)
(Loss) income from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax	(0.01)		(0.01)	0.02
Extraordinary gain on the acquisition of a business, net of tax		0.01		0.05
Net (loss) income attributable to Huntsman Corporation common stockholders	$ (0.29)	$ (0.09)	$ 0.20	$ 0.05
Weighted average shares	234.0	233.6	238.1	231.4
Dividends per share	$ 0.10	$ 0.10	$ 0.30	$ 0.30
Amounts attributable to Huntsman Corporation common stockholders:				
(Loss) income from continuing operations	$ (66)	$ (22)	$ 50	$ (4)
(Loss) income from discontinued operations, net of tax	(2)	1	(2)	5
Extraordinary gain on the acquisition of a business, net of tax		1		10
Net (loss) income	$ (68)	$ (20)	$ 48	$ 11

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

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in Millions)

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Operating Activities:		
Net income	$ 44	$ 18
Adjustments to reconcile net income to net cash provided by operating activities:		
Extraordinary gain on the acquisition of a business, net of tax		(10)
Equity in income of unconsolidated affiliates	(1)	(10)
Dividends received from unconsolidated affiliates		11
Depreciation and amortization	338	290
Provision for losses on accounts receivable	7	3
(Gain) loss on disposal of assets	(2)	4
Loss on early extinguishment of debt	21	
Noncash interest expense	14	2
Noncash restructuring, impairment and plant closing costs	5	3
Deferred income taxes	311	15
Net unrealized (gain) loss on foreign currency transactions	(8)	16
Stock-based compensation	14	16
Other, net	2	2
Changes in operating assets and liabilities:		
Accounts and notes receivable	(225)	(53)
Inventories	424	(98)
Prepaid expenses	(13)	(17)
Other current assets	(4)	21
Other noncurrent assets	(23)	(125)
Accounts payable	25	(3)
Accrued liabilities	(13)	20
Other noncurrent liabilities	(9)	(59)
Net cash provided by operating activities	907	46
Investing Activities:		
Capital expenditures	(140)	(325)
Proceeds from sale of assets, net of adjustments	5	(26)
Acquisition of business	(31)	
Investment in unconsolidated affiliate		(37)
Acquisition of intangible assets		(9)
Other, net	2	(3)
Net cash used in investing activities	(164)	(400)

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HUNTSMAN CORPORATION AND SUBSIDIARIES

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

(Dollars in Millions)

	Nine Months Ended September 30,	
	2009	**2008**
Financing Activities:		
Net (repayments) borrowings under revolving loan facilities	$ (10)	$ 370
Net repayments of overdraft facilities	(14)	(3)
Net repayments on short-term debt	(25)	
Repayments of long-term debt	(528)	(7)
Proceeds from long-term debt	874	24
Repayments of notes payable	(55)	(35)
Proceeds from notes payable	63	40
Dividends paid to common stockholders	(71)	(70)
Dividends paid to preferred stockholders		(4)
Call premiums paid related to early extinguishment of debt	(14)	
Repurchase and cancellation of stock awards		(4)
Debt issuance costs paid	(5)	(2)
Other, net	(1)	
Net cash provided by financing activities	214	309
Effect of exchange rate changes on cash	5	(2)
Increase (decrease) in cash and cash equivalents	962	(47)
Cash and cash equivalents at beginning of period	657	154
Cash and cash equivalents at end of period	$ 1,619	$ 107
Supplemental cash flow information:		
Cash paid for interest	$ 160	$ 186
Cash paid for income taxes	145	21

During the nine months ended September 30, 2009 and 2008, the amount of capital expenditures in accounts payable decreased by $29 million and $2 million, respectively. The value of share awards that vested during the nine months ended September 30, 2009 and 2008 was $11 million and $13 million, respectively. In connection with the June 2009 Baroda acquisition, $5 million of payables from us to Metrochem Industries Limited were forgiven.

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

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(Dollars in Millions)

	Huntsman Corporation Stockholders'							
	Common Stock		Additional paid-in capital	Unearned stock-based compensation	Accumulated deficit	Accumulated other comprehensive loss	Noncontrolling interests in subsidiaries	Total equity
	Shares	Amount						
Balance, January 1, 2009	233,553,515	$ 2	$ 3,141	$ (13)	$ (1,031)	$ (489)	$ 22	$ 1,632
Net income (loss)					48		(4)	44
Other comprehensive income						85	1	86
Issuance of nonvested stock awards			7	(7)				
Vesting of stock awards	550,052							
Recognition of stock-based compensation			4	8				12
Repurchase and cancellation of stock awards	(134,791)							
Dividends declared on common stock					(71)			(71)
Balance, September 30, 2009	233,968,776	$ 2	$ 3,152	$ (12)	$ (1,054)	$ (404)	$ 19	$ 1,703

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED) (Continued)

(Dollars in Millions)

	Shares		Huntsman Corporation Stockholders'							
	Common Stock	**Mandatory convertible preferred stock**	**Common Stock**	**Mandatory convertible preferred stock**	**Additional paid-in capital**	**Unearned stock-based compensation**	**Accumulated deficit**	**Accumulated other comprehensive income**	**Noncontrolling interests in subsidiaries**	**Total equity**
Balance, January 1, 2008	221,036,190	5,750,000	$ 2	$ 288	$ 2,831	$ (12)	$ (1,540)	$ 257	$ 27	$ 1,853
Net income							11		7	18
Other comprehensive loss								(46)		(46)
Issuance of nonvested stock awards					12	(12)				
Vesting of stock awards	594,908				1					1
Recognition of stock-based compensation					7	9				16
Preferred stock conversion	12,082,475	(5,750,000)		(288)	288					
Repurchase and cancellation of stock awards	(160,058)						(4)			(4)
Effect of adoption of SFAS No. 158, (currently included in ASC 715-20-55), net of tax							(3)			(3)
Dividends declared on common stock							(70)			(70)
Balance, September 30, 2008	233,553,515		$ 2	$	$ 3,139	$ (15)	$ (1,606)	$ 211	$ 34	$ 1,765

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

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in Millions)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 788	$ 87
Restricted cash	7	5
Accounts and notes receivables (net of allowance for doubtful accounts of $56 and $47, respectively)	1,154	905
Accounts receivable from affiliates	32	15
Inventories	1,113	1,500
Prepaid expenses	58	45
Deferred income taxes	18	21
Other current assets	122	99
Total current assets	3,292	2,677
Property, plant and equipment, net	3,397	3,466
Investment in unconsolidated affiliates	263	267
Intangible assets, net	136	157
Goodwill	94	92
Deferred income taxes	311	392
Notes receivable from affiliates	9	9
Other noncurrent assets	366	364
Total assets	$ 7,868	$ 7,424
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 720	$ 728
Accounts payable to affiliates	43	16
Accrued liabilities	625	560
Deferred income taxes	36	35
Note payable to affiliate	25	423
Current portion of debt	197	205
Total current liabilities	1,646	1,967
Long-term debt	3,792	3,442
Notes payable to affiliates	530	6
Deferred income taxes	110	69
Other noncurrent liabilities	1,013	1,021
Total liabilities	7,091	6,505
Commitments and contingencies (Notes 14 and 15)		
Equity		
Huntsman International LLC members' equity:		
Members' equity, 2,728 units issued and outstanding	3,111	2,865
Accumulated deficit	(1,888)	(1,414)
Accumulated other comprehensive loss	(465)	(554)
Total Huntsman International LLC members' equity	758	897

Noncontrolling interests in subsidiaries		19		22
Total equity		777		919
Total liabilities and equity	$	7,868	$	7,424

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

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

(Dollars in Millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Revenues:				
Trade sales, services and fees, net	$ 2,090	$ 2,703	$ 5,630	$ 8,085
Related party sales	18	28	37	82
Total revenues	2,108	2,731	5,667	8,167
Cost of goods sold	1,766	2,376	4,935	7,055
Gross profit	342	355	732	1,112
Operating expenses:				
Selling, general and administrative	214	231	603	693
Research and development	36	39	108	118
Other operating income		(16)	(9)	(3)
Restructuring, impairment and plant closing costs	62	3	139	8
Total operating expenses	312	257	841	816
Operating income (loss)	30	98	(109)	296
Interest expense, net	(64)	(68)	(177)	(199)
Loss on accounts receivable securitization program	(3)	(7)	(13)	(16)
Equity in (loss) income of unconsolidated affiliates	(1)	3	1	10
Loss on early extinguishment of debt	(21)		(21)	
Other income	1	1	1	1
(Loss) income from continuing operations before income taxes	(58)	27	(318)	92
Income tax benefit (expense)	19	(19)	(135)	(47)
(Loss) income from continuing operations	(39)	8	(453)	45
(Loss) income from discontinued operations, net of tax	(2)	1	(2)	5
(Loss) income before extraordinary gain	(41)	9	(455)	50
Extraordinary gain on the acquisition of a business, net of tax of nil		1		10

Net (loss) income		(41)		10		(455)		60
Net loss (income) attributable to noncontrolling interests						4		(7)
Net (loss) income attributable to Huntsman International LLC	$	(41)	$	10	$	(451)	$	53
Net (loss) income	$	(41)	$	10	$	(455)	$	60
Other comprehensive income (loss)		39		(162)		90		(42)
Comprehensive (loss) income		(2)		(152)		(365)		18
Comprehensive (income) loss attributable to noncontrolling interests		(1)				3		(7)
Comprehensive (loss) income attributable to Huntsman International LLC	$	(3)	$	(152)	$	(362)	$	11

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

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in Millions)

	Nine Months Ended September 30,	
	2009	**2008**
Operating Activities:		
Net (loss) income	$ (455)	$ 60
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Extraordinary gain on the acquisition of a business, net of tax		(10)
Equity in income of unconsolidated affiliates	(1)	(10)
Dividends received from unconsolidated affiliates		11
Depreciation and amortization	321	273
Provision for losses on accounts receivable	7	3
(Gain) loss on disposal of assets	(2)	4
Loss on early extinguishment of debt	21	
Noncash interest expense	24	2
Noncash restructuring, impairment and plant closing costs	5	3
Deferred income taxes	125	20
Net unrealized (gain) loss on foreign currency transactions	(8)	16
Noncash compensation	10	16
Other, net	1	2
Changes in operating assets and liabilities:		
Accounts and notes receivable	(225)	(53)
Inventories	424	(98)
Prepaid expenses	(12)	(16)
Other current assets	(19)	17
Other noncurrent assets	(23)	(125)
Accounts payable	2	(21)
Accrued liabilities	37	23
Other noncurrent liabilities	(5)	(55)
Net cash provided by operating activities	227	62
Investing Activities:		
Capital expenditures	(140)	(325)
Proceeds from sale of assets, net of adjustments	5	(26)
Acquisition of business	(31)	
Investment in unconsolidated affiliates, net		(37)
Decrease (increase) in receivable from affiliate	8	(91)
Acquisition of intangible assets		(9)
Other, net	2	(7)
Net cash used in investing activities	(156)	(495)

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

(Dollars in Millions)

	Nine Months Ended September 30, 2009	2008
Financing Activities:		
Net (repayments) borrowings under revolving loan facilities	$ (10)	$ 370
Net repayments of overdraft facilities	(14)	(3)
Net repayments of short-term debt	(25)	
Repayments of long-term debt	(528)	(7)
Proceeds from long-term debt	874	24
Repayments of notes payable	(52)	(35)
Proceeds from notes payable	60	40
Repayment of notes payable to affiliate	(403)	
Proceeds from notes payable to affiliate	529	
Dividends paid to parent	(23)	
Call premiums paid related to early extinguishment of debt	(14)	
Contribution from parent	236	
Debt issuance costs paid	(5)	
Other, net	(1)	(2)
Net cash provided by financing activities	624	387
Effect of exchange rate changes on cash	6	(1)
Increase (decrease) in cash and cash equivalents	701	(47)
Cash and cash equivalents at beginning of period	87	154
Cash and cash equivalents at end of period	$ 788	$ 107
Supplemental cash flow information:		
Cash paid for interest	$ 153	$ 186
Cash paid for income taxes	18	21

During the nine months ended September 30, 2009 and 2008, the amount of capital expenditures in accounts payable decreased by $29 million and $2 million, respectively. During the nine months ended September 30, 2009 and 2008, Huntsman Corporation contributed $10 million and $16 million, respectively, to Huntsman International related to stock-based compensation. In connection with the June 2009 Baroda acquisition, $5 million of payables from us to Metrochem Industries Limited were forgiven.

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

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(Dollars in Millions)

	Huntsman International LLC Members					
	Members' equity					
	Units	Amount	Accumulated deficit	Accumulated other comprehensive loss	Noncontrolling interests in subsidiaries	Total equity
Balance, January 1, 2009	2,728	$ 2,865	$ (1,414)	$ (554)	$ 22	$ 919
Net loss			(451)		(4)	(455)
Other comprehensive income				89	1	90
Contribution from parent		246				246
Dividends paid to parent			(23)			(23)
Balance, September 30, 2009	2,728	$ 3,111	$ (1,888)	$ (465)	$ 19	$ 777

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED) (Continued)

(Dollars in Millions)

	Huntsman International LLC Members					
	Members' equity					
	Units	Amount	Accumulated deficit	Accumulated other comprehensive income	Noncontrolling interests in subsidiaries	Total equity
Balance, January 1, 2008	2,728	$ 2,845	$ (1,143)	$ 187	$ 27	$ 1,916
Net income			53		7	60
Other comprehensive loss				(42)		(42)
Contribution from parent		16				16
Effect of adoption of SFAS No. 158, (currently included in ASC 715-20-55), net of tax			(3)			(3)
Balance, September 30, 2008	2,728	$ 2,861	$ (1,093)	$ 145	$ 34	$ 1,947

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

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HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL

CERTAIN DEFINITIONS

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

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

INTERIM FINANCIAL STATEMENTS

The interim condensed consolidated financial statements (unaudited) of our Company and Huntsman International were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP" or "U.S. GAAP") and in management's opinion, reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of results of operations, financial position and cash flows for the periods presented. Results for interim periods are not necessarily indicative of those to be expected for the full year. These condensed consolidated financial statements (unaudited) should be read in conjunction with the respective audited consolidated financial statements and notes thereto included in our Current Report on Form 8-K filed on July 30, 2009.

DESCRIPTION OF BUSINESS

We are a global manufacturer of 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 currently operate in five segments: Polyurethanes, Advanced Materials, Textile Effects, Performance Products and Pigments. Our Polyurethanes, Advanced Materials, Textile Effects and Performance Products segments produce differentiated organic chemical products and our Pigments segment produces inorganic chemical products. In a series of transactions completed in 2006 and 2007, we sold substantially all of our former Polymers and Base Chemicals operations. We report the results of these businesses as discontinued operations. For more information, see "Note 20. Discontinued Operations."

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HUNTSMAN CORPORATION AND SUBSIDIARIES

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

1. GENERAL (Continued)

COMPANY

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

We operate all of our businesses through Huntsman International, our 100% owned subsidiary. Huntsman International is a Delaware limited liability company and was formed in 1999.

HUNTSMAN CORPORATION AND HUNTSMAN INTERNATIONAL FINANCIAL STATEMENTS

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

- purchase accounting recorded at our Company for the 2003 step-acquisition of Huntsman International Holdings LLC, the former parent company of Huntsman International that was merged into Huntsman International in 2005;
- the different capital structures;
- a note payable from Huntsman International to us;
- income (expenses) associated with our terminated merger with Hexion (the "Hexion Merger" or the "Terminated Merger") and related litigation;
- our $250 million 7% convertible notes (the "Convertible Notes") issued to Apollo affiliates pursuant to the settlement agreement with Apollo with respect to certain litigation related to the Terminated Merger (the "Apollo Settlement Agreement"); and
- the results of the Texas Bank Litigation Settlement Agreement (as defined below).

PRINCIPLES OF CONSOLIDATION

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

USE OF ESTIMATES

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

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HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

1. GENERAL (Continued)

RECLASSIFICATIONS

Certain amounts in the consolidated financial statements for prior periods have been reclassified to conform with the current presentation. During the first quarter of 2009, we reorganized our operating segments to divide our former Materials and Effects segment into two separate segments the Advanced Materials segment and the Textile Effects segment. All segment information for prior periods has been restated to reflect this change. In addition, we retroactively applied, and information in this report reflects, the presentation and disclosure requirements of Accounting Standards Codification ("ASC") 810-10-65-1, *Transition Related to FASB Statement No*. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*. For more information, see "Note 2. Recently Issued Accounting Pronouncements."

SUBSEQUENT EVENTS

We have evaluated material subsequent events through the time these financial statements were issued on November 4, 2009. For more information, see "Note 2. Recently Issued Accounting Pronouncements."

On October 16, 2009, we terminated our existing accounts receivable securitization program ("A/R Securitization Program") and entered into two new securitization programs. At that time, the receivables trust repaid the entire balance of commercial paper outstanding under our existing A/R Securitization Program using proceeds received from the new programs. For more information, see "Note 9. Securitization of Accounts Receivable."

RECENT DEVELOPMENTS

"Stalking Horse" Bid To Acquire Tronox

On August 28, 2009, we entered into an asset and equity purchase agreement (the "Tronox Purchase Agreement"), pursuant to which our wholly owned subsidiaries, Huntsman Pigments LLC and Huntsman Australia R&D Company Pty Ltd, agreed to acquire certain assets of Tronox Incorporated and its subsidiaries ("Tronox") under Section 363 of Chapter 11 of the United States Bankruptcy Code as well as certain assets and equity interest, including working capital, of Tronox's foreign subsidiaries, for an aggregate purchase price of approximately $415 million (the "Tronox Transaction"). We intend to finance approximately fifty percent of the purchase price with debt. The assets to be acquired in connection with the Tronox Transaction include:

- Titanium dioxide facilities in the United States (excluding Savannah, Georgia) and The Netherlands;
- A 50% joint venture interest in another titanium dioxide facility in Australia and associated mining and other operations; and
- Electrolytic production facilities in the United States.

Tronox's joint venture partner in Australia, Exxaro Resources Limited, has agreed to waive contractual restrictions on the transfer of Tronox's joint venture interests to us, including applicable

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

1. GENERAL (Continued)

right of first refusal and change of control rights, in the event we are approved by the bankruptcy court as the buyer.

The Tronox Purchase Agreement is subject to approval by the United States Bankruptcy Court for the Southern District of New York, in which the bankruptcy cases of Tronox Incorporated and 14 of its subsidiaries under Chapter 11 of the United States Bankruptcy Code are being jointly administered as In re Tronox Corporation, et al., Case No. 09-10156 (ALG). We entered into the Tronox Purchase Agreement as a "stalking horse" bidder, and the Tronox Transaction is subject to Tronox's solicitation of higher or otherwise better offers pursuant to specified bidding procedures and an auction process to be conducted under supervision of the bankruptcy court. We made a $12 million refundable deposit toward the purchase price on the date of the execution of the Tronox Purchase Agreement and, to date, we have incurred $8 million in costs related to the Tronox Transaction. On September 16, 2009, the bankruptcy court approved the bidding procedures and granted certain benefits and bid protections to us in our role as "stalking horse" bidder, including expense reimbursement up to $3 million. We have the option to amend our bid should another bidder submit an offer that is greater than our bid described above. A decision to amend our bid will not be made unless and until a superseding bid is made. Under the bidding procedures order, other potential bidders must, among other things, submit an irrevocable offer and a $15.45 million good faith deposit on or before December 1, 2009. On November 2, 2009, we announced that the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act") has expired, which is a requirement to close on the Tronox Transaction.

The Tronox Transaction is also subject to the satisfaction of various conditions specified in the Tronox Purchase Agreement. We can provide no assurance as to if or when the Tronox Transaction will close; moreover, if the Tronox Transaction does not close, we can provide no assurance that we will receive all or part of any refundable deposit or expense reimbursement.

Closure of Australian Styrenics Operations

On September 7, 2009, we announced that we will close our styrenics facility located at West Footscray, Australia. We expect to cease operation of the West Footscray styrene plant at or near year end 2009, with subsequent closure of our polystyrene and expandable polystyrene plants in early 2010. During the third quarter of 2009, we recorded closure costs of approximately $55 million ($25 million primarily in severance and a $30 million preliminary estimate of environmental remediation costs) and expect to incur other closure related costs of approximately $15 million in 2010. We can provide no assurance that the eventual environmental remediation costs will not be materially different from our current estimate. Products produced at the site represent less than 2% of our 2008 global sales. Our styrenics operations posted an operating loss of approximately $29 million in 2008. Our other operations in Australia, including our RMAX® expandable polystyrene business, Performance Products, Polyurethanes, Textile Effects and Advanced Materials divisions, are not affected by the announcement and will continue to operate in Australia.

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

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

We adopted Accounting Standards Update ("ASU"): No. 2009-01, *Topic 105 Generally Accepted Accounting Principles amendments based on Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, as of September 30, 2009. Statement of Financial Accounting Standards ("SFAS") No. 168 replaces SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, and establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants as a result of this statement. As a result of our adoption of this ASU, we have included references, where applicable, to the FASB Accounting Standards Codification in this report.

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

In September 2009, the FASB issued ASU No. 2009-12, *Fair Value Measurement and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. This ASU provides guidance on measuring the fair value of certain alternative investments and offers investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value per share. This ASU is effective for the first reporting period ending after December 15, 2009. We are evaluating this ASU to determine its impact on our consolidated financial statements.

We adopted ASU No. 2009-05, *Fair Value Measurements and Disclosures (Topic 820): Measuring Liabilities at Fair Value* as of September 30, 2009. This ASU provides amendments to Accounting Standards Codification Subtopic 820-10, Fair Value Measurements and Disclosures Overall, for the fair value measurement of liabilities. It provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using (a) a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities and/or (b) an income approach valuation technique or a market approach valuation technique, consistent with the principles of Topic 820. This ASU did not have a significant impact on our consolidated financial statements.

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

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (pending integration to the ASC). This statement amends FASB Interpretation No. ("FIN") 46(R), *Consolidation of Variable Interest Entities*, to replace the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity with a qualitative approach. This new approach focuses on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. It also requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity, and it requires additional disclosures about an enterprise's involvement in variable interest entities. This statement is effective for the first annual reporting period beginning after November 15, 2009. We are evaluating this statement to determine its impact on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140* (pending integration to the ASC). This statement removes the concept of a qualifying special-purpose entity ("QSPE") from SFAS No. 140 and removes the exception from applying FIN 46(R) to QSPEs. SFAS No. 166 modifies the derecognition provisions in SFAS No. 140 and requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. It also requires additional disclosures regarding the transferor's continuing involvement with transferred financial assets and the related risks retained. This statement is effective for the first annual reporting period beginning after November 15, 2009. We are evaluating this statement, as well as SFAS No. 167, to determine their impact on our consolidated financial statements and we believe sales of accounts receivable under our new securitization programs will no longer meet the criteria for derecognition upon adoption of this standard. Accordingly, we believe the amounts outstanding under our new accounts receivable securitization programs will be accounted for as secured borrowings beginning in January 2010. See "Note 9. Securitization of Accounts Receivable."

We adopted SFAS No. 165, *Subsequent Events* (currently included in ASC 855-10), as of June 30, 2009. This statement requires the disclosure of the date through which an entity has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. We evaluate subsequent events through the date the financial statements are issued.

We adopted FASB Staff Position ("FSP") No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (currently included in ASC 820-10-65-4) as of June 30, 2009. This FSP provides guidance for estimating the fair value of an asset or liability when the volume and level of activity for the asset or liability have significantly decreased, as well as guidance on identifying circumstances that indicate a transaction is not orderly. It also requires disclosure in interim and annual periods of the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period. This statement did not have a significant impact on our consolidated financial statements.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (Continued)

We adopted FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (currently included in ASC 825-10-65-1), as of June 30, 2009. This FSP amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods as well as in annual financial statements. This FSP also requires disclosure about the methods and significant assumptions used to estimate the fair value of financial instruments and changes in those methods and significant assumptions, if any, during the period. See "Note 10. Fair Value."

We adopted SFAS No. 141 (R), *Business Combinations* (currently included in ASC 805), which replaced SFAS No. 141, *Business Combinations,* and SFAS No. 160 on January 1, 2009. These statements significantly change the accounting for business combinations and noncontrolling interests. Among other things, these statements require more assets acquired and liabilities assumed to be measured at fair value as of the acquisition date, liabilities related to contingent consideration to be remeasured to fair value each subsequent reporting period, an acquirer in preacquisition periods to expense all acquisition-related costs, and noncontrolling interests in subsidiaries initially to be measured at fair value and to be presented separately in the financial statements. Upon adoption of this standard, we recorded a charge of $1 million in the first quarter of 2009 to selling, general and administrative expenses to write off previously deferred acquisition costs related to our Baroda acquisition. See "Note 3. Business Combinations." We retroactively applied the presentation and disclosure requirements of SFAS No. 160 to all prior periods presented.

We adopted FSP No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies* (currently included in ASC 805), on January 1, 2009. This FSP requires assets acquired and liabilities assumed in a business combination that arise from contingencies to be recognized at fair value if fair value can be reasonably estimated. If fair value of such assets and liabilities cannot be reasonably estimated, the assets or liabilities would generally be recognized in accordance with SFAS No. 5, *Accounting for Contingencies*, and FIN 14, *Reasonable Estimation of the Amount of a Loss*. Further, this FSP requires contingent consideration arrangements of an acquiree assumed by the acquirer in a business combination to be initially recognized and subsequently measured at fair value in accordance with SFAS 141(R). The adoption of this FSP did not have a significant impact on our consolidated financial statements.

We adopted Emerging Issues Task Force ("EITF") Issue No. 08-6, *Equity Method Investment Accounting Considerations* (currently included in ASC 323-10), on January 1, 2009. EITF 08-6 clarifies the accounting for certain transactions and impairment considerations involving equity method investments. The adoption of this standard did not have a significant impact on our consolidated financial statements.

In December 2008, the FASB issued FSP No. FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets* (currently included in ASC 715-20-65-2). This FSP provides guidance on an employers' disclosures about plan assets of a defined benefit pension or other postretirement plan. The disclosures about plan assets required by this FSP will be provided in our Annual Report on Form 10-K for the year ended December 31, 2009.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (Continued)

We adopted SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an Amendment of FASB Statement 133* (currently included in ASC 815-10-65-1) on January 1, 2009. SFAS No. 161 requires enhanced disclosures regarding the effect of an entity's derivative instruments and related hedging activities on its financial position, financial performance and cash flows. See "Note 8. Derivative Instruments and Hedging Activities."

3. BUSINESS COMBINATIONS

BARODA ACQUISITION

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

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

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HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

3. BUSINESS COMBINATIONS (Continued)

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

Acquisition cost:		
Cash payment made in 2008	$	7
Cash payments made in 2009		31
Forgiveness of amounts payable from us to MCIL		(5)
Amounts payable as of September 30, 2009		2
Total acquisition cost	$	35
Fair value of assets acquired and liabilities assumed:		
Accounts receivable	$	3
Inventories		4
Other current assets		2
Property, plant and equipment		34
Accounts payable		(3)
Accrued liabilities		(1)
Short-term debt		(3)
Deferred taxes		(1)
Total fair value of net assets acquired	$	35

The acquisition cost allocation is preliminary pending finalization of the net working capital acquired. The acquisition cost allocation is also preliminary pending finalization of the determination of the fair value of assets acquired and liabilities assumed, including final valuation of property, plant and equipment, intangible assets, estimates of asset retirement obligations and determination of related deferred taxes. For purposes of this preliminary allocation of fair value, we have assigned any excess of acquisition cost over historical carrying values to property, plant and equipment and no amounts have been allocated to goodwill. We expect that it is reasonably possible that changes to this allocation could occur.

TEXTILE EFFECTS ACQUISITION

On June 30, 2006, we acquired Ciba's textile effects business (the "Textile Effects Acquisition") and accounted for the Textile Effects Acquisition using the purchase method. 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 over cost. Because the fair value of the acquired assets and liabilities assumed exceeded the purchase price, the valuation of the long-lived assets acquired was reduced to zero. Accordingly, no basis was assigned to property, plant and equipment or any other non-current nonfinancial 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 three and nine months ended September 30, 2008, we recorded additional extraordinary gain of $1 million and $10 million, respectively, related to the reversal of accruals for certain employee termination costs

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3. BUSINESS COMBINATIONS (Continued)

recorded in connection with the Textile Effects Acquisition and a reimbursement by Ciba of certain restructuring costs associated with the acquisition.

4. INVENTORIES

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

	September 30, 2009	December 31, 2008
Raw materials and supplies	$ 250	$ 282
Work in progress	82	88
Finished goods	822	1,192
Total	1,154	1,562
LIFO reserves	(41)	(62)
Net	$ 1,113	$ 1,500

For each of September 30, 2009 and December 31, 2008, approximately 9% of inventories were recorded using the LIFO cost method. For the three months ended September 30, 2009, inventory quantities were reduced, resulting in a liquidation of certain LIFO inventory layers carried at costs lower than the cost of current purchases, the effect of which decreased cost of goods sold by approximately $1 million. For the nine months ended September 30, 2009, inventory quantities were reduced, resulting in a liquidation of certain LIFO inventory layers carried at costs that were higher than the cost of current purchases, the effect of which increased cost of goods sold by approximately $1 million.

In the normal course of operations, we at times exchange raw materials and finished goods with other companies for the purpose of reducing transportation costs. The net non-monetary open exchange positions are valued at cost. The amounts included in inventory under non-monetary open exchange agreements payable by us as of September 30, 2009 and December 31, 2008 were $10 million and $19 million, respectively. Other open exchanges are settled in cash and result in a net deferred profit margin. The amounts under these types of open exchange agreements receivable by us at September 30, 2009 and December 31, 2008 were nil and $5 million, respectively.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

5. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS

As of September 30, 2009 and December 31, 2008, 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, 2009	$ 58	$ 1	$ 3	$ 13	$ 75
2009 charges for 2006 initiatives		1			1
2009 charges for 2008 initiatives	4				4
2009 charges for 2009 initiatives	81	8		14	103
Reversal of reserves no longer required	(4)				(4)
2009 payments for 2003 initiatives	(1)				(1)
2009 payments for 2004 initiatives	(1)				(1)
2009 payments for 2006 initiatives	(24)	(1)			(25)
2009 payments for 2008 initiatives	(14)				(14)
2009 payments for 2009 initiatives	(24)	(8)		(12)	(44)
Foreign currency effect on reserve balance	2			(2)	
Accrued liabilities as of September 30, 2009	$ 77	$ 1	$ 3	$ 13	$ 94

(1) Of the total workforce reduction reserves of $77 million, $11 million relates to restructuring programs recorded in connection with purchase business combinations and are expected to be paid through 2009. The total workforce reduction reserves of $77 million relate to the termination of 695 positions, of which 402 positions had not been terminated as of September 30, 2009.

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

	September 30, 2009	December 31, 2008
2003 initiatives & prior	$ 8	$ 9
2004 initiatives	4	6
2006 initiatives	2	26
2008 initiatives	11	24
2009 initiatives	59	
Foreign currency effect on reserve balance	10	10
Total	$ 94	$ 75

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HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

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

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

	Polyurethanes	Advanced Materials	Textile Effects	Performance Products	Pigments	Corporate & Other	Total
Accrued liabilities as of January 1, 2009	$ 3	$ 1	$ 63	$ 1	$ 7	$	$ 75
2009 charges for 2006 initiatives			1				1
2009 charges for 2008 initiatives	1		1		2		4
2009 charges for 2009 initiatives		13	13		43	34	103
Reversal of reserves no longer required			(2)		(2)		(4)
2009 payments for 2003 initiatives	(1)						(1)
2009 payments for 2004 initiatives					(1)		(1)
2009 payments for 2006 initiatives			(25)				(25)
2009 payments for 2008 initiatives			(11)		(3)		(14)
2009 payments for 2009 initiatives		(4)	(3)		(34)	(3)	(44)
Foreign currency effect on reserve balance			(1)			1	
Accrued liabilities as of September 30, 2009	$ 3	$ 10	$ 36	$ 1	$ 12	$ 32	$ 94
Current portion of restructuring reserve	$ 3	$ 10	$ 36	$ 1	$ 7	$ 32	$ 89
Long-term portion of restructuring reserve					5		5
Estimated additional future charges for current restructuring projects							
Estimated additional charges within one year	$	$ 1	$	$	$ 9	$ 15	$ 25
Estimated additional charges beyond one year					1		1

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

	Three months ended September 30, 2009	Nine months ended September 30, 2009
Cash charges:		
2009 charges for 2006 initiatives	$	$ 1
2009 charges for 2008 initiatives	2	4
2009 charges for 2009 initiatives	31	103
Reversal of reserves no longer required	(1)	(4)
Environmental remediation accrual recorded in connection with the Australian styrenics closure	30	30
Non-cash charges		5
Total restructuring, impairment and plant closing costs	$ 62	$ 139

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HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

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

	Three months ended September 30, 2008	Nine months ended September 30, 2008
Cash charges:		
2008 charges for 2004 initiatives	$ 1	$ 2
2008 charges for 2008 initiatives	2	4
Reversal of reserves no longer required	(1)	(1)
Non-cash charges	1	3
Total restructuring, impairment and plant closing costs	$ 3	$ 8

During the nine months ended September 30, 2009, our Advanced Materials segment recorded charges of $13 million primarily related to workforce reductions in connection with a reorganization designed to implement a regional management structure. We expect to incur additional charges of $1 million primarily related to workforce reductions in Germany through 2011.

During the nine months ended September 30, 2009, our Textile Effects segment recorded charges of $15 million primarily related to workforce reductions at our production facility in Langweid, Germany and reversed $2 million of accruals no longer required related to the streamlining of the Textile Effects business into two global strategic business units, apparel & home textiles and specialty textiles, as announced during the fourth quarter of 2008. We also recorded a non-cash benefit of $1 million for pension curtailment associated with our workforce reduction.

During the nine months ended September 30, 2009, our Pigments segment recorded charges of $45 million, of which $29 million primarily related to the closure of our Grimsby, U.K. plant and $16 million primarily related to workforce reductions at our Huelva, Spain plant. Of the $29 million charges at our Grimsby plant, $13 million related to contract terminations, $8 million related to workforce reductions and $8 million related to decommissioning. We also recorded non-cash charges of $4 million primarily related to a provision against engineering spare parts at our Grimsby plant. We expect to incur additional charges of $10 million primarily related to the closure of our Grimsby plant through June 30, 2010.

During the nine months ended September 30, 2009, we recorded charges of $34 million in Corporate and Other, of which $25 million related to workforce reductions associated with the closure of our styrenics operations in West Footscray, Australia and $9 million related to other aspects of our 2009 fixed cost reduction projects announced in the first quarter of 2009. We expect to incur additional charges of $15 million related to the West Footscray closure through 2010. In addition, we recorded $30 million of estimated environmental remediation costs associated with the closure of our Australian styrenics operations. For more information regarding the closure of our West Footscray, Australia styrenics operations, see "Note 1. General Recent Developments Closure of Australian Styrenics Operations." We also recorded a non-cash impairment charge of $1 million primarily related to 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. 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.

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6. INVESTMENT IN UNCONSOLIDATED AFFILIATES

During 2008, we contributed $44 million as our 50% equity contribution to our ethyleneamines manufacturing joint venture in Jubail Industrial City, Saudi Arabia (the "Saudi Joint Venture") with Zamil Group. The Saudi 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 Saudi Joint Venture obtained various loan commitments in the aggregate amount of approximately $195 million (U.S. dollar equivalents), of which $166 million was drawn and outstanding as of September 30, 2009. We expect to reach mechanical completion of the manufacturing facility by the end of the fourth quarter of 2009. We have provided certain guarantees of approximately $14 million for these commitments which will terminate upon completion of the project and satisfaction of certain conditions. We have estimated that the fair value of these guarantees was nil as of the closing date of this transaction and, accordingly, no amounts have been recorded. The Saudi Joint Venture is accounted for under the equity method.

7. DEBT

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

Huntsman Corporation

	September 30, 2009	December 31, 2008
Senior Credit Facilities:		
Term loans	$ 1,966	$ 1,540
Secured notes		295
Senior notes	430	198
Subordinated notes	1,308	1,285
Australian credit facilities	38	41
HPS (China) debt	157	196
Other	91	92
Convertible notes	236	235
Total debt	$ 4,226	$ 3,882
Current portion	$ 198	$ 205
Long-term portion	4,028	3,677
Total debt-excluding affiliates	$ 4,226	$ 3,882
Total debt-excluding affiliates	4,226	3,882
Notes payable to affiliates	5	6
Total debt	$ 4,231	$ 3,888

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

7. DEBT (Continued)

Huntsman International

	September 30, 2009	December 31, 2008
Senior Credit Facilities:		
Term loans	$ 1,966	$ 1,540
Secured notes		295
Senior notes	430	198
Subordinated notes	1,308	1,285
Australian credit facilities	38	41
HPS (China) debt	157	196
Other	90	92
Total debt	$ 3,989	$ 3,647
Current portion	$ 197	$ 205
Long-term portion	3,792	3,442
Total debt-excluding affiliates	$ 3,989	$ 3,647
Total debt-excluding affiliates	$ 3,989	$ 3,647
Notes payable to affiliates	555	429
Total debt	$ 4,544	$ 4,076

DIRECT AND SUBSIDIARY DEBT

Our direct debt and guarantee obligations consist of the following: our Convertible Notes; our guarantees of certain debt of HPS and SLIC (our Chinese MDI joint ventures); our guarantee of certain debt of the Saudi Joint Venture; certain indebtedness incurred from time to time to finance certain insurance premiums; and our guarantee of certain obligations of Huntsman International in its capacity as a contributor and servicer guarantor under the U.S. A/R Program (as defined below).

Substantially all of our other debt has been incurred by our subsidiaries (primarily Huntsman International); such subsidiary debt is nonrecourse to us and we have no contractual obligation to fund our subsidiaries' respective operations.

TRANSACTIONS AFFECTING OUR DEBT

Senior Credit Facilities

As of September 30, 2009, our senior secured credit facilities ("Senior Credit Facilities") consisted of (i) the $650 million revolving loan facility ("Revolving Facility"); (ii) a $1,524 million term loan B facility ("Term Loan B"); and (iii) a $500 million ($442 million carrying value) term loan C ("Term Loan C" and collectively with Term Loan B, the "Dollar Term Loans"). As of September 30, 2009, we had no borrowings outstanding under our Revolving Facility, and we had approximately $33 million (U.S. dollar equivalents) of letters of credit and bank guarantees issued and outstanding under our Revolving Facility. The Revolving Facility matures in August 2010, Term Loan B matures in 2014 and

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

7. DEBT (Continued)

Term Loan C matures in 2016; provided, however, that the maturities of the Revolving Facility and the Dollar Term Loans will accelerate if we do not repay or refinance all but $100 million of our outstanding debt securities on or before three months prior to the maturity dates of such debt securities.

Our Senior Credit Facilities are subject to a single financial covenant (the "Leverage Covenant"), which applies only to the Revolving Facility. The Leverage Covenant is applicable only if borrowings, letters of credit or guarantees are outstanding under the Revolving Facility (cash collateralized letters of credit or guarantees are not deemed outstanding). On April 16, 2009, Huntsman International entered into a waiver (the "Waiver") with respect to the Leverage Covenant. The Leverage Covenant, as amended pursuant to the Waiver, requires that the maximum senior secured leverage ratio does not exceed 5.00 to 1.00.

In addition, the Waiver modified the calculation used to determine compliance with the Leverage Covenant as follows:

- we are allowed to add back to "Consolidated EBITDA" any lost profits that are attributable to hurricanes Gustav and Ike that occurred in 2008 (such amounts being $49 million and $18 million for the third and fourth quarters, respectively, of 2008); and

- by modifying the definition of "Permitted Non-Cash Impairment and Restructuring Charges" to replace a reference to $100 million with $200 million for permitted cash charges to be added back to "Consolidated EBITDA."

The Waiver is effective from April 16, 2009 through June 30, 2010.

As consideration for the Waiver, Huntsman International agreed to increase the interest paid on the Revolving Facility by 225 basis points from LIBOR plus 1.75% to LIBOR plus 4% and to increase the applicable unused fee by 25 basis points from 0.5% to 0.75%. In addition, during the Waiver period, Huntsman International agreed not to:

- request a borrowing under the Revolving Facility during the next succeeding fiscal quarter if compliance with the senior secured leverage ratio, as agreed to in the Waiver, is not met in any fiscal quarter;

- repay or make any payment of principal or interest under the Intercompany Note (defined below) if there are outstanding borrowings under the Revolving Facility or to reduce the principal amount outstanding under the Intercompany Note to less than $525 million; and

- make any restricted payments in an aggregate amount greater than the sum of $100 million plus Available Equity Proceeds (as defined in the agreement governing our Senior Credit Facilities (the "Credit Agreement")) received by Huntsman International.

Pursuant to the Texas Bank Litigation Settlement Agreement, we entered into a Fourth Amendment to Credit Agreement dated June 22, 2009 (the "Amendment"). The Amendment created Term Loan C.

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

7. DEBT (Continued)

At the present time, borrowings under the Revolving Facility, Term Loan B and Term Loan C bear interest at LIBOR plus 4%, LIBOR plus 1.75% and LIBOR plus 2.25%, respectively. However, the applicable interest rate of Term Loan B is subject to a reduction to LIBOR plus 1.5% upon achieving certain secured leverage ratio thresholds.

2016 Senior Notes

Pursuant to the Texas Bank Litigation Settlement Agreement, Huntsman International entered into a Note Purchase Agreement dated June 22, 2009 (the "Note Purchase Agreement") with affiliates of Credit Suisse Securities (USA) LLC and Deutsche Bank Securities Inc. (collectively, the "Banks"), pursuant to which the Banks purchased $600 million aggregate principal amount of 2016 Senior Notes from Huntsman International (the "2016 Senior Notes").

The 2016 Senior Notes are senior unsecured obligations of Huntsman International and are guaranteed by certain subsidiaries named as guarantors.

The 2016 Senior Notes bear interest at the rate of 5.5% per year payable semi-annually on June 30 and December 31, beginning on December 31, 2009. The 2016 Senior Notes will mature on June 30, 2016. Huntsman International may redeem the 2016 Senior Notes in whole at any time or in part from time to time, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the date of redemption. The 2016 Senior Notes are governed by an indenture imposing certain limitations on the ability of Huntsman International and its subsidiaries to, among other things, incur additional indebtedness; pay dividends or make certain other restricted payments; enter into certain transactions with affiliates; create dividend or other payment restrictions affecting restricted subsidiaries; merge or consolidate with any other person; sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of their assets; or adopt a plan of liquidation.

Upon the occurrence of certain change of control events, holders of the 2016 Senior Notes will have the right to require that Huntsman International purchase all or a portion (equal to $2,000 or an integral multiple of $1,000 in excess thereof) of such holder's 2016 Senior Notes in cash pursuant to the offer described by Huntsman International, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase.

As of September 30, 2009, we had outstanding $600 million ($430 million carrying value) of 2016 Senior Notes with an effective interest rate of 11.73%.

Redemption of Notes

On July 23, 2009, Huntsman International redeemed in full all of its $296 million 11.625% senior secured notes due October 2010. The total redemption payment, excluding accrued interest, was $305 million, which included principal of $296 million and a call premium of approximately $9 million.

On August 3, 2009, Huntsman International redeemed in full all of its $198 million 11.5% senior notes due July 2012. The total redemption payment, excluding accrued interest, was $204 million, which included principal of $198 million and a call premium of $6 million.

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

7. DEBT (Continued)

Other Debt (India)

In connection with the Baroda acquisition, a portion of the purchase price was funded through local financing and from liquidity available from our subsidiaries located in India. As of September 30, 2009, our local Indian entities had combined debt outstanding of approximately $19 million (U.S. dollar equivalents). This debt is comprised of various facilities including approximately $9 million (U.S. dollar equivalents) in working capital facilities that are callable on demand and a five year term loan facility of approximately $10 million (U.S. dollar equivalents). See "Note 3. Business Combinations."

Intercompany Note

As of September 30, 2009, under an existing promissory note (the "Intercompany Note"), we have loaned $550 million to our subsidiary, Huntsman International. The Intercompany Note is unsecured and $25 million of the outstanding amount is classified as current as of September 30, 2009 on the accompanying condensed consolidated balance sheets (unaudited). As of September 30, 2009, under the terms of the Intercompany Note, Huntsman International promises to pay us interest on the unpaid principal amount at a rate per annum based on the previous monthly average borrowing rate obtained under our A/R Securitization Program for U.S. dollar outstandings, less 10 basis points (provided that the rate shall not exceed an amount that is 25 basis points less than the monthly average borrowing rate obtained for the U.S. LIBOR-based borrowings under our Revolving Facility). Subject to the conditions of the Waiver, with our consent, the principal and accrued interest outstanding under the Intercompany Note may also be forgiven, capitalized or satisfied with any alternate form of consideration.

Other Debt (Insurance)

During the third quarter of 2009, we incurred other debt related to the financing of our insurance premiums in connection with our annual renewal in July 2009. As of September 30, 2009, the outstanding amount of financed insurance premiums was $29 million, all of which was classified as current. The insurance premium financing is secured by the prepaid insurance premiums.

COMPLIANCE WITH COVENANTS

We are in compliance with the financial covenants contained in the agreements governing our debt instruments, including our Senior Credit Facilities, our A/R Securitization Program and the indentures governing our notes.

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

All derivatives, whether designated in hedging relationships or not, are recorded on our balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged items are recognized in earnings. If the derivative is designated as a cash

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8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

flow hedge, changes in the fair value of the derivative are recorded in accumulated other comprehensive (loss) income, to the extent effective, and will be recognized in the income statement when the hedged item affects earnings. To the extent applicable, we perform effectiveness assessments in order to use hedge accounting at each reporting period. For a derivative that does not qualify as a hedge, changes in fair value are recognized in earnings.

We also hedge our net investment in certain European operations. Changes in the fair value of the hedge in the net investment of certain European operations are recorded in accumulated other comprehensive income (loss).

Our cash flows and earnings are subject to fluctuations due to exchange rate variation. Our revenues and expenses are denominated in various currencies. We enter into foreign currency derivative instruments to minimize the short-term impact of movements in foreign currency rates. Where practicable, we net multicurrency cash balances among our subsidiaries to help reduce exposure to foreign currency exchange rates. Certain other exposures may be managed through financial market transactions, principally through the purchase of spot or forward foreign exchange contracts (generally with maturities of one year or less). We do not hedge our currency exposures in a manner that would eliminate the effect of changes in exchange rates on our cash flows and earnings. As of September 30, 2009, we had approximately $101 million notional amount (in U.S. dollar equivalents) outstanding in forward foreign currency contracts.

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. During the first quarter of 2009, any remaining contracts matured and the realized gains (losses) recorded in the accompanying condensed consolidated statements of operations (unaudited) were not considered significant. For the three months ended September 30, 2008, the effective portion of the changes in the fair value totaling $4 million were recorded in other comprehensive income (loss), with ineffectiveness resulting in a credit of nil recorded in cost of goods sold and a foreign currency gain of nil. For the nine months ended September 30, 2008, the effective portion of the changes in the fair value of $1 million were recorded in other comprehensive income (loss), with ineffectiveness amounting to a credit of $2 million recorded in cost of goods sold and a foreign currency gain of $1 million.

On October 24, 2008, we unwound a cross currency interest rate swap pursuant to which we swapped $153 million of LIBOR floating rate debt payments for €116 million of EURIBOR floating rate debt payments. This swap was not designated as a hedge for financial reporting purposes. For the three and nine months ended September 30, 2008, we recorded a foreign currency loss on this swap of $19 and $6 million, respectively, in the condensed consolidated statement of operations (unaudited).

On October 24, 2008, we unwound a cross currency interest rate swap pursuant to which we had swapped $96 million of LIBOR floating rate debt payments for €71 million of EURIBOR floating rate debt payments. This swap was designated as a hedge of a net investment for financial reporting purposes. We received a net cash benefit from the unwind of $3 million in the fourth quarter of 2008. For the three and nine months ended September 30, 2008, the effective portion of the changes in the

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

fair value of $12 million and $5 million, respectively were recorded in other comprehensive income (loss).

As of and for the nine months ended September 30, 2009, the fair value and the realized gains (losses) of our other outstanding foreign currency rate hedging contracts and derivatives were not considered significant.

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

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

From time to time, we review our non-U.S. dollar denominated debt and swaps to determine the appropriate amounts designated as hedges. As of September 30, 2009, we have designated approximately €225 million ($329 million) of euro-denominated debt as a hedge of our net investments. For the three and nine months ended September 30, 2009, the amount of loss recognized on the hedge of our net investments was $12 million and $14 million, respectively, and was recorded in other comprehensive income (loss). As of September 30, 2009, we had approximately €916 million ($1,339 million) in net euro assets.

9. SECURITIZATION OF ACCOUNTS RECEIVABLE

As of September 30, 2009, our existing A/R Securitization Program consisted of commercial paper conduit programs with a committed amount of approximately $575 million (U.S. dollar equivalents). As of September 30, 2009, the underlying effective capacity of the program was $402 million. As of September 30, 2009, the receivables trust under our existing A/R Securitization Program had $258 million in U.S. dollar equivalents (comprised of $55 million and approximately €139 million ($203 million)) in commercial paper outstanding.

Our existing A/R Securitization Program was scheduled to mature on November 12, 2009. On October 16, 2009, we entered into a Termination and Release Agreement, pursuant to which we terminated our existing A/R Securitization Program and replaced it with the U.S. and European programs described below. At that time, the receivables trust repaid the entire balance of commercial paper outstanding under our existing A/R Securitization Program using proceeds received from the new programs.

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

9. SECURITIZATION OF ACCOUNTS RECEIVABLE (Continued)

U.S. ACCOUNTS RECEIVABLE SECURITIZATION PROGRAM

On October 16, 2009, Huntsman International entered into a new accounts receivable securitization program using Huntsman Receivable Financing II LLC, a bankruptcy-remote special purpose entity (the "U.S. SPE"), for our U.S. originator subsidiaries (the "U.S. A/R Program").

The maximum funding availability under the U.S. A/R Program is $250 million, which is divided between two facilities: a $125 million three-year facility and a $125 million two-year facility. The amount of actual availability under the U.S. A/R Program is subject to change based on the level of eligible receivables sold. Availability is further subject to changes in the credit ratings of Huntsman International's customers, customer concentration levels, and certain characteristics of the accounts receivable being transferred. The yield on the three-year facility is based on the LIBOR rate (as defined in the applicable agreement) plus a margin rate of 3.75% per annum and, in the case of the two-year facility, if funded by commercial paper, the CP Rate (as defined in the applicable agreement) plus a margin rate of 3.50% per annum. In addition, the U.S. SPE is obligated to pay commitment fees to the lenders based on the amount of each lender's commitment.

The U.S. A/R Program contains various customary affirmative and negative covenants and also contains customary default and termination provisions, which provide for acceleration of amounts owed under the U.S. A/R Program upon the occurrence of certain specified events, including, but not limited to, failure by the U.S. SPE to pay interest and other amounts due, defaults on certain indebtedness, certain judgments, change in control, certain events negatively affecting the overall credit quality of transferred accounts receivable, bankruptcy and insolvency events, and failure of our Company to maintain a minimum liquidity level of $400 million (the "Liquidity Requirement"). We guarantee certain obligations of Huntsman International in its capacity as contributor and servicer guarantor under the U.S. A/R Program.

We expect that receivables transferred under the U.S. A/R Program will qualify as sales through December 31, 2009. However, upon adoption of new accounting guidance in 2010, we believe that the receivables transferred will no longer meet the criteria for derecognition and amounts outstanding will be accounted for as secured borrowings.

EUROPEAN ACCOUNTS RECEIVABLE SECURITIZATION PROGRAM

Also on October 16, 2009, Huntsman International entered into a second new accounts receivable securitization program using Huntsman Receivables Financial LLC, a bankruptcy-remote special purpose entity (the "EU SPE"), for our European originator subsidiaries (the "EU A/R Program," and together with the U.S. A/R Program, the "A/R Programs") for a term of two years.

The maximum funding availability under the EU A/R Program is €225 million (approximately $329 million). The amount of actual availability under the EU A/R Program is subject to change based on the level of eligible receivables sold. Availability is further subject to changes in the credit ratings of the originators' customers and country, customer concentration levels, and certain characteristics of the accounts receivable being transferred. The yield is based on GBP LIBOR, USD LIBOR or EURIBOR (each as defined in the applicable agreement) plus a margin rate of 3.75% per annum if funded by

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

9. SECURITIZATION OF ACCOUNTS RECEIVABLE (Continued)

commercial paper. In addition, the EU SPE is obligated to pay a commitment fee to the lender based on the amount of the lender's commitment.

The EU A/R Program contains various customary affirmative and negative covenants and also contains customary default and termination provisions, which provide for acceleration of amounts owed under the EU A/R Program upon the occurrence of certain specified events, including, but not limited to, failure by the EU SPE to pay interest and other amounts due, defaults on certain indebtedness, certain judgments, change in control, certain events negatively affecting the overall credit quality of transferred accounts receivable and bankruptcy and insolvency events and a cross acceleration provision tied to the Liquidity Requirement.

We expect that receivables transferred under the EU A/R Program will qualify as sales through December 31, 2009. However, upon adoption of new accounting guidance in 2010, we believe that the receivables transferred will no longer meet the criteria for derecognition and amounts outstanding will be accounted for as secured borrowings.

10. FAIR VALUE

The fair value of financial instruments as of September 30, 2009 and December 31, 2008 were as follows (dollars in millions):

Huntsman Corporation

	September 30, 2009		December 31, 2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Non-qualified employee benefit plan investments	$ 14	$ 14	$ 10	$ 10
Long-term debt (including current portion)	4,226	4,200	3,882	2,537

Huntsman International

	September 30, 2009		December 31, 2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Non-qualified employee benefit plan investments	$ 14	$ 14	$ 10	$ 10
Long-term debt (including current portion)	3,989	3,833	3,647	2,302

The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The fair value of non-qualified employee benefit plan investments is estimated using prevailing market prices. The estimated fair values of our long-term debt other than the Convertible Notes are based on quoted market prices for the identical liability when traded as an asset in an active market. The estimated fair value of our Convertible Notes is based on the present value of estimated future cash flows, calculated using management's best estimates of key

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

10. FAIR VALUE (Continued)

assumptions including relevant interest rates, expected share volatility, dividend yields and the probabilities associated with certain features of the Convertible Notes.

The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2009 and December 31, 2008. Although management is not aware of any unusual factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since September 30, 2009, and current estimates of fair value may differ significantly from the amounts presented herein.

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

		Fair Value Amounts Using		
Description	**September 30, 2009**	**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(1)	$ 14	$ 14	$	$
Retained interest in securitized receivables(2)	319			319
Total assets	$ 333	$ 14	$	$ 319

(1) Using the market approach, the fair value of these securities represents the quoted market price times the quantities held.

(2) 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, 2009**	**Nine months ended September 30, 2009**
Balance at beginning of period	$ 162	$ 147
Total net gains (losses) (realized/unrealized) included in earnings	1	(9)
Purchases, issuances, and settlements	156	181
Balance at end of period	$ 319	$ 319
The amount of total gains for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at September 30, 2009	$ 3	$ 4

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10. FAIR VALUE (Continued)

Gains and (losses) (realized and unrealized) included in earnings (or changes in net assets) for the three and nine months ended September 30, 2009 are reported in loss on accounts receivable securitization program and other operating income (expense), as follows (dollars in millions):

	Loss on accounts receivable securitization program		Other operating income (expense)	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2009		September 30, 2009	
Total (losses) gains included in earnings	$ (4)	$ (17)	$ 5	$ 8
Changes in unrealized (losses) gains relating to assets still held at September 30, 2009	(2)	(4)	5	8

The following liabilities were measured at fair value on a nonrecurring basis (dollars in millions):

		Fair Value Amounts Using		
Description	Initial Recognition	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:				
2016 Senior Notes(3)	$ 425	$	$	$ 425
Term Loan C(3)	439			439
Total liabilities	$ 864	$	$	$ 864

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(3) In June 2009, these liabilities were measured at fair value upon initial recognition. These fair value amounts do not agree to the amounts recorded in the accompanying condensed consolidated balance sheets (unaudited) at September 30, 2009 due to the subsequent amortization of the discounts recorded on these debt instruments. We used primarily the income approach to determine the fair value of these instruments. Fair value represents the present value of estimated future cash flows calculated using interest rates that were available to us for issuance of debt with similar terms, adjusted for differences in remaining maturity using relevant debt yield curves.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

11. EMPLOYEE BENEFIT PLANS

Components of the net periodic benefit costs for the three and nine months ended September 30, 2009 and 2008 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,	
	2009	2008	2009	2008
Service cost	$ 13	$ 17	$ 3	$
Interest cost	36	38	3	3
Expected return on assets	(37)	(47)		
Amortization of prior service cost	(1)	(1)	(1)	(1)
Amortization of actuarial loss	8	1	(3)	1
Special termination benefits	1			
Net periodic benefit cost	$ 20	$ 8	$ 2	$ 3

	Defined Benefit Plans Nine Months Ended September 30,		Other Postretirement Benefit Plans Nine Months Ended September 30,	
	2009	2008	2009	2008
Service cost	$ 46	$ 55	$ 5	$ 2
Interest cost	106	116	7	7
Expected return on assets	(107)	(144)		
Amortization of transition obligation		1		
Amortization of prior service cost	(4)			