

Huntsman CORP  
Form 10-Q  
August 09, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**Form 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2007

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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

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

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

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

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

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

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On August 3, 2007, 222,005,083 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.

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This Quarterly Report on Form 10-Q presents information for two registrants: Huntsman Corporation and Huntsman International LLC ( Huntsman International ). Huntsman International is a wholly owned subsidiary of Huntsman Corporation and is the principal operating company of Huntsman Corporation. The information reflected in this Quarterly Report on Form 10-Q is equally applicable to both Huntsman Corporation and Huntsman International, except where otherwise indicated. Huntsman International meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q 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 JUNE 30, 2007**

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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)**

|   | <b>June 30,<br/>2007</b> | <b>December 31,<br/>2006</b> |
|---|--------------------------|------------------------------|
| <b>ASSETS</b>   |                          |                              |
| <b>Current assets:</b>  |                          |                              |
| Cash and cash equivalents   | \$ 167.5                 | \$ 263.2                     |
| Accounts and notes receivables (net of allowance for doubtful accounts of \$43.6 and \$39.0, respectively)  | 1,439.3                  | 1,243.2                      |
| Accounts receivable from affiliates   | 17.5                     | 14.1                         |
| Inventories, net  | 1,348.0                  | 1,520.1                      |
| Prepaid expenses  | 31.0                     | 55.7                         |
| Deferred income taxes   | 68.0                     | 64.6                         |
| Other current assets  | 128.2                    | 175.7                        |
| Current assets held for sale  | 175.8                    |                              |
| <b>Total current assets</b>   | <b>3,375.3</b>           | <b>3,336.6</b>               |
| Property, plant and equipment, net  | 3,825.1                  | 4,059.4                      |
| Investment in unconsolidated affiliates   | 215.9                    | 201.0                        |
| Intangible assets, net  | 175.6                    | 187.6                        |
| Goodwill  | 92.4                     | 90.2                         |
| Deferred income taxes   | 245.2                    | 190.4                        |
| Other noncurrent assets   | 398.5                    | 379.7                        |
| Noncurrent assets held for sale   | 187.2                    |                              |
| <b>Total assets</b>   | <b>\$ 8,515.2</b>        | <b>\$ 8,444.9</b>            |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |                          |                              |
| <b>Current liabilities:</b>   |                          |                              |
| Accounts payable  | \$ 1,083.9               | \$ 1,006.2                   |
| Accounts payable to affiliates  | 12.5                     | 12.0                         |
| Accrued liabilities   | 802.9                    | 857.6                        |
| Deferred income taxes   | 19.3                     | 9.4                          |
| Current portion of long-term debt   | 258.8                    | 187.9                        |
| Current liabilities held for sale   | 10.1                     |                              |
| <b>Total current liabilities</b>  | <b>2,187.5</b>           | <b>2,073.1</b>               |
| Long-term debt  | 3,524.6                  | 3,457.4                      |
| Deferred income taxes   | 101.6                    | 192.6                        |
| Other noncurrent liabilities  | 942.9                    | 955.8                        |
| Noncurrent liabilities held for sale  | 4.7                      |                              |
| <b>Total liabilities</b>  | <b>6,761.3</b>           | <b>6,678.9</b>               |
| Minority interests in common stock of consolidated subsidiaries   | 23.9                     | 29.4                         |
| <b>Commitments and contingencies (Notes 14 and 15)</b>  |                          |                              |
| <b>Stockholders equity:</b>   |                          |                              |
| Common stock \$0.01 par value, 1,200,000,000 shares authorized, 222,003,528 and 221,549,461 issued and 221,025,680 and 220,652,429 outstanding in 2007 and 2006, respectively | 2.2                      | 2.2                          |
| Mandatory convertible preferred stock \$0.01 par value, 100,000,000 shares authorized, 5,750,000 issued and outstanding   | 287.5                    | 287.5                        |
| Additional paid-in capital  | 2,823.9                  | 2,798.4                      |

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|  |            |   |            |   |
|--|------------|---|------------|---|
| Unearned stock-based compensation                | (16.6      | ) | (12.5      | ) |
| Accumulated deficit                              | (1,348.5   | ) | (1,277.6   | ) |
| Accumulated other comprehensive loss             | (18.5      | ) | (61.4      | ) |
| <b>Total stockholders equity</b>                 | 1,730.0    |   | 1,736.6    |   |
| <b>Total liabilities and stockholders equity</b> | \$ 8,515.2 |   | \$ 8,444.9 |   |

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 June 30, |                 | Six months ended June 30, |                 |
|--|-----------------------------|-----------------|---------------------------|-----------------|
|  | 2007                        | 2006            | 2007                      | 2006            |
| <b>Revenues:</b>   |                             |                 |                           |                 |
| Trade sales, services and fees   | \$ 2,499.3                  | \$ 2,360.2      | \$ 4,768.2                | \$ 4,637.7      |
| Related party sales  | 18.3                        | 28.8            | 36.3                      | 50.3            |
| <b>Total revenues</b>  | <b>2,517.6</b>              | <b>2,389.0</b>  | <b>4,804.5</b>            | <b>4,688.0</b>  |
| <b>Cost of goods sold</b>  | <b>2,137.9</b>              | <b>1,993.6</b>  | <b>4,032.8</b>            | <b>3,934.7</b>  |
| <b>Gross profit</b>  | <b>379.7</b>                | <b>395.4</b>    | <b>771.7</b>              | <b>753.3</b>    |
| <b>Operating expenses:</b>   |                             |                 |                           |                 |
| Selling, general and administrative  | 220.1                       | 171.7           | 429.6                     | 332.5           |
| Research and development   | 36.2                        | 26.1            | 69.5                      | 53.3            |
| Other operating expense (income)   | 1.4                         | (95.0)          | 5.3                       | (94.3)          |
| Restructuring, impairment and plant closing costs                                  | 13.2                        | 8.8             | 24.4                      | 17.1            |
| Total expenses   | 270.9                       | 111.6           | 528.8                     | 308.6           |
| <b>Operating income</b>  | <b>108.8</b>                | <b>283.8</b>    | <b>242.9</b>              | <b>444.7</b>    |
| Interest expense, net  | (70.0)                      | (94.6)          | (143.8)                   | (181.4)         |
| Loss on accounts receivable securitization program                                 | (4.7)                       | (3.6)           | (9.0)                     | (5.9)           |
| Equity in income of investment in unconsolidated affiliates                        | 5.1                         | 1.4             | 7.3                       | 2.1             |
| Other (expense) income   | (1.3)                       | 0.6             | (2.1)                     | 0.1             |
| <b>Income from continuing operations before income taxes and minority interest</b> | <b>37.9</b>                 | <b>187.6</b>    | <b>95.3</b>               | <b>259.6</b>    |
| Income tax benefit (expense)   | 8.0                         | (17.4)          | (4.4)                     | (32.3)          |
| Minority interest in subsidiaries loss (income)                                    | 11.1                        | (0.3)           | 10.7                      | (0.7)           |
| <b>Income from continuing operations</b>   | <b>57.0</b>                 | <b>169.9</b>    | <b>101.6</b>              | <b>226.6</b>    |
| (Loss) income from discontinued operations, net of tax                             | (119.0)                     | 42.5            | (119.4)                   | 54.8            |
| <b>(Loss) income before extraordinary (loss) gain</b>                              | <b>(62.0)</b>               | <b>212.4</b>    | <b>(17.8)</b>             | <b>281.4</b>    |
| Extraordinary (loss) gain on the acquisition of a business, net of tax of nil      | (8.9)                       | 50.5            | (6.5)                     | 50.5            |
| <b>Net (loss) income</b>   | <b>\$ (70.9)</b>            | <b>\$ 262.9</b> | <b>\$ (24.3)</b>          | <b>\$ 331.9</b> |
| <b>Net (loss) income</b>   | <b>\$ (70.9)</b>            | <b>\$ 262.9</b> | <b>\$ (24.3)</b>          | <b>\$ 331.9</b> |
| Other comprehensive income   | 22.7                        | 49.3            | 42.9                      | 80.3            |
| <b>Comprehensive (loss) income</b>   | <b>\$ (48.2)</b>            | <b>\$ 312.2</b> | <b>\$ 18.6</b>            | <b>\$ 412.2</b> |
| <b>Basic income (loss) per share:</b>  |                             |                 |                           |                 |
| Income from continuing operations  | \$ 0.26                     | \$ 0.77         | \$ 0.46                   | \$ 1.03         |
| (Loss) income from discontinued operations, net of tax                             | (0.54)                      | 0.19            | (0.54)                    | 0.25            |
| Extraordinary (loss) gain on the acquisition of a business, net of tax             | (0.04)                      | 0.23            | (0.03)                    | 0.22            |
| <b>Net (loss) income</b>   | <b>\$ (0.32)</b>            | <b>\$ 1.19</b>  | <b>\$ (0.11)</b>          | <b>\$ 1.50</b>  |
| Weighted average shares  | 220.9                       | 220.6           | 220.9                     | 220.6           |
| <b>Diluted income (loss) per share:</b>  |                             |                 |                           |                 |
| Income from continuing operations  | \$ 0.24                     | \$ 0.73         | \$ 0.44                   | \$ 0.97         |
| (Loss) income from discontinued operations, net of tax                             | (0.50)                      | 0.18            | (0.51)                    | 0.24            |
| Extraordinary (loss) gain on the acquisition of a business, net of tax             | (0.04)                      | 0.22            | (0.03)                    | 0.21            |
| <b>Net (loss) income</b>   | <b>\$ (0.30)</b>            | <b>\$ 1.13</b>  | <b>\$ (0.10)</b>          | <b>\$ 1.42</b>  |

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|                            |         |       |         |       |
|----------------------------|---------|-------|---------|-------|
| Weighted average shares    | 233.5   | 233.2 | 233.5   | 233.1 |
| <b>Dividends per share</b> | \$ 0.10 | \$    | \$ 0.20 | \$    |

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

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**HUNTSMAN CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**



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(Dollars in Millions)

|  | Six months ended June 30, |                 |
|--|---------------------------|-----------------|
|  | 2007                      | 2006            |
| <b>Operating Activities:</b>   |                           |                 |
| Net (loss) income  | \$ (24.3 )                | \$ 331.9        |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |                           |                 |
| Extraordinary loss (gain) on the acquisition of business, net of tax                     | 6.5                       | (50.5 )         |
| Equity in income of investment in unconsolidated affiliates                              | (7.3 )                    | (2.1 )          |
| Depreciation and amortization  | 217.0                     | 234.5           |
| Provision for losses on accounts receivable  | 4.4                       | 2.2             |
| Gain on disposal of assets   | (1.6 )                    | (92.4 )         |
| Loss on early extinguishment of debt   | 1.8                       |                 |
| Noncash interest expense   | 2.0                       | 2.1             |
| Noncash restructuring, impairment and plant closing costs                                | 11.7                      | 12.3            |
| Impairment loss on pending disposal of discontinued operations                           | 240.0                     |                 |
| Deferred income taxes  | (88.6 )                   | 18.4            |
| Net unrealized (gain) loss on foreign currency transactions                              | (7.5 )                    | 26.9            |
| Stock-based compensation   | 11.9                      | 8.2             |
| Minority interest in subsidiaries (loss) income  | (10.7 )                   | 0.7             |
| Other, net   | 9.8                       | (9.1 )          |
| Changes in operating assets and liabilities:   |                           |                 |
| Accounts and notes receivable  | (185.0 )                  | 63.3            |
| Inventories, net   | 29.9                      | 23.1            |
| Prepaid expenses   | 26.2                      | 1.3             |
| Other current assets   | 42.0                      | 38.6            |
| Other noncurrent assets  | (64.2 )                   | (41.7 )         |
| Accounts payable   | 12.9                      | (81.8 )         |
| Accrued liabilities  | (170.9 )                  | (140.7 )        |
| Other noncurrent liabilities   | 29.3                      | (21.7 )         |
| <b>Net cash provided by operating activities</b>   | <b>85.3</b>               | <b>323.5</b>    |
| <b>Investing Activities:</b>   |                           |                 |
| Capital expenditures   | (282.8 )                  | (211.3 )        |
| Acquisition of business, net of cash acquired and post-closing adjustments               | 26.9                      | (136.0 )        |
| Proceeds from sale of assets   | 15.8                      | 201.1           |
| Investment in unconsolidated affiliates, net   | (16.7 )                   | (14.4 )         |
| Proceeds from government securities, restricted as to use                                | 7.2                       | 7.2             |
| Change in restricted cash  |                           | (32.9 )         |
| Other, net   | (0.5 )                    |                 |
| <b>Net cash used in investing activities</b>   | <b>(250.1 )</b>           | <b>(186.3 )</b> |
| <b>Financing Activities:</b>   |                           |                 |
| Net borrowings (repayments) under revolving loan facilities                              | 205.0                     | (1.9 )          |
| Net repayments from overdraft facilities and other short-term debt                       | (0.2 )                    | (6.2 )          |
| Repayments of long-term debt   | (317.5 )                  | (69.5 )         |
| Proceeds from long-term debt   | 266.1                     | 22.9            |
| Repayments on notes payable  | (39.1 )                   | (22.3 )         |
| Proceeds from notes payable  | 7.2                       |                 |
| Dividends paid to common stockholders  | (44.2 )                   |                 |
| Dividends paid to preferred stockholders   | (7.2 )                    | (7.2 )          |
| Contribution from minority shareholder   |                           | 6.2             |
| Call premiums related to early extinguishment of debt                                    | (1.2 )                    |                 |
| Debt issuance costs paid   | (4.2 )                    |                 |
| Other, net   | (0.8 )                    |                 |
| <b>Net cash provided by (used in) financing activities</b>                               | <b>63.9</b>               | <b>(78.0 )</b>  |
| Effect of exchange rate changes on cash  | 5.2                       | (1.9 )          |
| (Decrease) increase in cash and cash equivalents   | (95.7 )                   | 57.3            |
| Cash and cash equivalents at beginning of period   | 263.2                     | 142.8           |
| Cash and cash equivalents at end of period   | \$ 167.5                  | \$ 200.1        |

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**Supplemental cash flow information:**

|   |          |          |
|---|----------|----------|
| Cash paid for interest                                      | \$ 151.2 | \$ 182.9 |
| Cash paid for income taxes                                  | 33.8     | 12.4     |
| Change in capital expenditures included in accounts payable | 27.0     |          |

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)

|  | June 30,<br>2007  | December 31,<br>2006 |
|--|-------------------|----------------------|
| <b>ASSETS</b>  |                   |                      |
| <b>Current assets:</b>   |                   |                      |
| Cash and cash equivalents  | \$ 167.5          | \$ 246.0             |
| Accounts and notes receivables (net of allowance for doubtful accounts of \$43.6 and \$39.0, respectively) | 1,439.3           | 1,243.3              |
| Accounts receivable from affiliates  | 52.6              | 19.5                 |
| Inventories, net   | 1,348.0           | 1,520.1              |
| Prepaid expenses   | 29.2              | 55.7                 |
| Deferred income taxes  | 74.1              | 70.7                 |
| Other current assets   | 115.6             | 161.6                |
| Current assets held for sale   | 175.8             |                      |
| <b>Total current assets</b>  | <b>3,402.1</b>    | <b>3,316.9</b>       |
| Property, plant and equipment, net   | 3,607.0           | 3,829.5              |
| Investment in unconsolidated affiliates  | 215.9             | 201.0                |
| Intangible assets, net   | 180.2             | 192.6                |
| Goodwill   | 92.4              | 90.2                 |
| Deferred income taxes  | 243.6             | 188.7                |
| Other noncurrent assets  | 398.5             | 376.6                |
| Noncurrent assets held for sale  | 187.2             |                      |
| <b>Total assets</b>  | <b>\$ 8,326.9</b> | <b>\$ 8,195.5</b>    |
| <b>LIABILITIES AND MEMBERS EQUITY</b>  |                   |                      |
| <b>Current liabilities:</b>  |                   |                      |
| Accounts payable   | \$ 1,083.9        | \$ 1,006.2           |
| Accounts payable to affiliates   | 17.8              | 16.7                 |
| Accrued liabilities  | 790.4             | 841.7                |
| Deferred income taxes  | 19.3              | 9.4                  |
| Current portion of long-term debt  | 257.2             | 187.9                |
| Current liabilities held for sale  | 10.1              |                      |
| <b>Total current liabilities</b>   | <b>2,178.7</b>    | <b>2,061.9</b>       |
| Long-term debt   | 3,524.6           | 3,457.4              |
| Deferred income taxes  | 109.1             | 161.6                |
| Other noncurrent liabilities   | 942.4             | 952.1                |
| Noncurrent liabilities held for sale   | 4.7               |                      |
| <b>Total liabilities</b>   | <b>6,759.5</b>    | <b>6,633.0</b>       |
| Minority interests in common stock of consolidated subsidiaries  | 23.9              | 29.4                 |
| <b>Commitments and contingencies (Notes 14 and 15)</b>   |                   |                      |
| <b>Members equity:</b>   |                   |                      |
| Members equity, 2,728 units issued and outstanding   | 2,831.3           | 2,811.8              |
| Accumulated deficit  | (1,204.8)         | (1,150.4)            |
| Accumulated other comprehensive loss   | (83.0)            | (128.3)              |
| <b>Total members equity</b>  | <b>1,543.5</b>    | <b>1,533.1</b>       |
| <b>Total liabilities and members equity</b>  | <b>\$ 8,326.9</b> | <b>\$ 8,195.5</b>    |

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



**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND**

**COMPREHENSIVE (LOSS) INCOME (UNAUDITED)**

(Dollars in Millions)

|  | Three months ended June 30, |                 | Six months ended June 30, |                 |
|--|-----------------------------|-----------------|---------------------------|-----------------|
|  | 2007                        | 2006            | 2007                      | 2006            |
| <b>Revenues:</b>   |                             |                 |                           |                 |
| Trade sales, services and fees   | \$ 2,499.3                  | \$ 2,360.2      | \$ 4,768.2                | \$ 4,637.7      |
| Related party sales  | 18.3                        | 28.8            | 36.3                      | 50.3            |
| <b>Total revenues</b>  | <b>2,517.6</b>              | <b>2,389.0</b>  | <b>4,804.5</b>            | <b>4,688.0</b>  |
| <b>Cost of goods sold</b>  | <b>2,131.3</b>              | <b>1,990.3</b>  | <b>4,024.7</b>            | <b>3,927.4</b>  |
| <b>Gross profit</b>  | <b>386.3</b>                | <b>398.7</b>    | <b>779.8</b>              | <b>760.6</b>    |
| <b>Operating expenses:</b>   |                             |                 |                           |                 |
| Selling, general and administrative  | 219.9                       | 171.0           | 429.4                     | 331.0           |
| Research and development   | 36.2                        | 26.1            | 69.5                      | 53.3            |
| Other operating expense (income)   | 1.4                         | (95.0)          | 5.3                       | (94.3)          |
| Restructuring, impairment and plant closing costs                                  | 13.2                        | 8.8             | 24.4                      | 17.1            |
| Total expenses   | 270.7                       | 110.9           | 528.6                     | 307.1           |
| <b>Operating income</b>  | <b>115.6</b>                | <b>287.8</b>    | <b>251.2</b>              | <b>453.5</b>    |
| Interest expense, net  | (70.1)                      | (95.7)          | (144.4)                   | (183.7)         |
| Loss on accounts receivable securitization program                                 | (4.7)                       | (3.6)           | (9.0)                     | (5.9)           |
| Equity in income of investment in unconsolidated affiliates                        | 5.1                         | 1.4             | 7.3                       | 2.1             |
| Other (expense) income   | (1.3)                       | 0.6             | (2.6)                     | 0.1             |
| <b>Income from continuing operations before income taxes and minority interest</b> | <b>44.6</b>                 | <b>190.5</b>    | <b>102.5</b>              | <b>266.1</b>    |
| Income tax expense   | (18.6)                      | (58.2)          | (42.1)                    | (78.4)          |
| Minority interest in subsidiaries loss (income)                                    | 11.1                        | (0.3)           | 10.7                      | (0.7)           |
| <b>Income from continuing operations</b>   | <b>37.1</b>                 | <b>132.0</b>    | <b>71.1</b>               | <b>187.0</b>    |
| (Loss) income from discontinued operations, net of tax                             | (119.0)                     | 42.5            | (119.4)                   | 54.8            |
| <b>(Loss) income before extraordinary (loss) gain</b>                              | <b>(81.9)</b>               | <b>174.5</b>    | <b>(48.3)</b>             | <b>241.8</b>    |
| Extraordinary (loss) gain on the acquisition of a business, net of tax of nil      | (8.9)                       | 46.1            | (6.5)                     | 46.1            |
| <b>Net (loss) income</b>   | <b>\$ (90.8)</b>            | <b>\$ 220.6</b> | <b>\$ (54.8)</b>          | <b>\$ 287.9</b> |
| <b>Net (loss) income</b>   | <b>\$ (90.8)</b>            | <b>\$ 220.6</b> | <b>\$ (54.8)</b>          | <b>\$ 287.9</b> |
| Other comprehensive income   | 22.3                        | 57.2            | 45.3                      | 91.5            |
| <b>Comprehensive (loss) income</b>   | <b>\$ (68.5)</b>            | <b>\$ 277.8</b> | <b>\$ (9.5)</b>           | <b>\$ 379.4</b> |

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

**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(Dollars in Millions)

|  | Six months ended June 30, |                 |
|--|---------------------------|-----------------|
|  | 2007                      | 2006            |
| <b>Operating Activities:</b>   |                           |                 |
| Net (loss) income  | \$ (54.8 )                | \$ 287.9        |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |                           |                 |
| Extraordinary loss (gain) on acquisition of a business, net of tax                       | 6.5                       | (46.1 )         |
| Equity in income of investment in unconsolidated affiliates                              | (7.3 )                    | (2.1 )          |
| Depreciation and amortization  | 205.6                     | 220.9           |
| Provision for losses on accounts receivable  | 4.4                       | 2.2             |
| Gain on disposal of assets   | (1.6 )                    | (92.4 )         |
| Loss on early extinguishment of debt   | 2.2                       |                 |
| Noncash interest expense   | 2.3                       | 4.1             |
| Noncash restructuring, impairment and plant closing costs                                | 11.7                      | 12.3            |
| Impairment loss on pending disposal of discontinued operations                           | 240.0                     |                 |
| Deferred income taxes  | (50.9 )                   | 64.5            |
| Net unrealized (gain) loss on foreign currency transactions                              | (7.5 )                    | 26.9            |
| Noncash compensation   | 11.9                      | 8.2             |
| Minority interest in subsidiaries (loss) income  | (10.7 )                   | 0.7             |
| Other, net   | (18.8 )                   | (6.7 )          |
| Changes in operating assets and liabilities:   |                           |                 |
| Accounts and notes receivable  | (185.0 )                  | 63.3            |
| Inventories, net   | 29.9                      | 23.1            |
| Prepaid expenses   | 27.8                      | (0.1 )          |
| Other current assets   | 40.5                      | 38.6            |
| Other noncurrent assets  | (67.7 )                   | (53.4 )         |
| Accounts payable   | 12.9                      | (81.8 )         |
| Accrued liabilities  | (167.5 )                  | (141.3 )        |
| Other noncurrent liabilities   | 36.1                      | (10.7 )         |
| <b>Net cash provided by operating activities</b>   | <b>60.0</b>               | <b>318.1</b>    |
| <b>Investing Activities:</b>   |                           |                 |
| Capital expenditures   | (282.8 )                  | (211.3 )        |
| Acquisition of business, net of cash acquired and post-closing adjustments               | 26.9                      | (136.0 )        |
| Proceeds from sale of assets   | 15.8                      | 201.1           |
| Investment in unconsolidated affiliates, net   | (16.7 )                   | (14.4 )         |
| Change in restricted cash  |                           | (32.9 )         |
| Other, net   | (0.5 )                    |                 |
| <b>Net cash used in investing activities</b>   | <b>(257.3 )</b>           | <b>(193.5 )</b> |
| <b>Financing Activities:</b>   |                           |                 |
| Net borrowings (repayments) under revolving loan facilities                              | 205.0                     | (1.9 )          |
| Net repayments from overdraft facilities and other short-term debt                       | (0.2 )                    | (6.2 )          |
| Repayments of long-term debt   | (317.5 )                  | (69.5 )         |
| Proceeds from long-term debt   | 266.1                     | 22.9            |
| Repayments on notes payable  | (38.1 )                   | (20.5 )         |
| Proceeds from notes payable  | 4.5                       |                 |
| Call premiums related to early extinguishment of debt                                    | (1.2 )                    |                 |
| Debt issuance costs paid   | (4.2 )                    |                 |
| Contribution from minority shareholder   |                           | 6.2             |
| Other, net   | (0.8 )                    |                 |
| <b>Net cash provided by (used in) financing activities</b>                               | <b>113.6</b>              | <b>(69.0 )</b>  |
| Effect of exchange rate changes on cash  | 5.2                       |                 |