Huntsman CORP
Form 424B4
February 11, 2005

Use these links to rapidly review the document
TABLE OF CONTENTS
INDEX TO FINANCIAL STATEMENTS

P R O S P E C T U S

Huntsman Corporation

60,227,274 Shares

Common Stock

This is an initial public offering of our common stock. Our common stock has been approved for listing on the New York Stock Exchange under the symbol "HUN."

We are selling 55,681,819 shares of common stock and the selling stockholder named in this prospectus is selling 4,545,455 shares. We will not receive any proceeds from the sale of shares by the selling stockholder.

The selling stockholder has granted the underwriters an option to purchase up to 9,034,091 additional shares of common stock to cover over-allotments.

Concurrently with this offering, we are also making a public offering of our mandatory convertible preferred stock. The mandatory convertible preferred stock has been approved for listing on the New York Stock Exchange under the symbol "HUNPr." The sale of common stock is not contingent on the completion of our concurrent mandatory convertible preferred stock offering.

Investing in our common stock involves risks. See "Risk Factors" on page 18.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	$ 23.000	$ 1,385,227,302
Underwriting Discount	$ 1.035	$ 62,335,229
Proceeds to Huntsman Corporation (before expenses)	$ 21.965	$ 1,223,051,154
Proceeds to the Selling Stockholder (before expenses)	$ 21.965	$ 99,840,919

The underwriters expect to deliver the shares to purchasers on or about February 16, 2005.

Joint Book-runners

Citigroup

Credit Suisse First Boston

Merrill Lynch & Co.

Deutsche Bank Securities

JPMorgan **Lehman Brothers** **UBS Investment Bank**

CIBC World Markets **Jefferies & Company, Inc.** **Natexis Bleichroeder Inc.** **Scotia Capital** **WR Hambrecht + Co**

The date of this prospectus is February 10, 2005.

Until March 7, 2005 (25 days after the date of this prospectus), all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to unsold allotments or subscriptions.

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

Industry and Market Data

This prospectus includes information with respect to market share, industry conditions and forecasts that we obtained from internal industry research, publicly available information (including industry publications and surveys), and surveys and market research provided by consultants (including Nexant, Inc., an international consulting and research firm ("Nexant"), Chemical Market Associates, Inc., an international consulting and research firm ("CMAI"), International Business Management Associates, an industry research and consulting firm ("IBMA"), and others). The publicly available information and the reports, forecasts and other research provided by consultants generally state that the information contained therein has been obtained from sources believed to be reliable. Our internal research and forecasts are based upon our management's understanding of industry conditions, and such information has not been verified by any independent sources. As is noted, certain statements in this prospectus are based on information provided by consultants that we commissioned to provide us with the referenced information.

PROSPECTUS SUMMARY

The following summary highlights selected information from this prospectus and does not contain all of the information that you should consider before investing in our stock. This prospectus contains information regarding our businesses and detailed financial information. You should carefully read this entire prospectus, including the historical and pro forma financial statements and related notes, before making an investment decision.

Huntsman Corporation is a new company formed to hold the existing businesses of Huntsman Holdings, LLC. Concurrently with the consummation of this offering, Huntsman Holdings, LLC will become a wholly owned subsidiary of Huntsman Corporation as part of a series of transactions we refer to as the "Reorganization Transaction." The pro forma and pro forma as adjusted financial data included in this prospectus give effect to the transactions described in "Unaudited Pro Forma Financial Data."

We are concurrently offering shares of our common stock and our mandatory convertible preferred stock. The closing of our initial public offering of common stock is not conditioned upon the closing of our offering of mandatory convertible preferred stock, but the closing of our offering of mandatory convertible preferred stock is conditioned upon the closing of our initial public offering of common stock. Unless the context requires otherwise, in this prospectus the term "offering" refers to both our offering of common stock and our offering of mandatory convertible preferred stock.

In this prospectus, "Huntsman Corporation," the "company," "we," "us" or "our" refers to Huntsman Corporation and its subsidiaries, including our predecessor Huntsman Holdings, LLC, after giving effect to the Reorganization Transaction, except where the context makes clear that the reference is only to Huntsman Corporation itself and not its subsidiaries. Huntsman Holdings, LLC has conducted its operations through three principal subsidiaries: Huntsman LLC, Huntsman International Holdings LLC and Huntsman Advanced Materials LLC. In this prospectus, the term "HLLC" refers to Huntsman LLC and, unless the context otherwise requires, its subsidiaries, the term "HIH" refers to Huntsman International Holdings LLC and, unless the context otherwise requires, its subsidiaries, and the term "Advanced Materials" refers to Huntsman Advanced Materials LLC and, unless the context otherwise requires, its subsidiaries. A glossary of chemical abbreviations used in this prospectus is set forth on page 191.

Overview

We are among the world's largest global manufacturers of differentiated and commodity chemical products. We manufacture a broad range of chemical products and formulations, which we market in more than 100 countries to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, durable and non-durable consumer products, electronics, medical, packaging, paints and coatings, power generation, refining and synthetic fiber industries. We are a leading global producer in many of our key product lines, including MDI, amines, surfactants, epoxy-based polymer formulations, maleic anhydride and titanium dioxide. We operate 63 manufacturing facilities located in 22 countries and employ over 11,500 associates. Our businesses benefit from significant vertical integration, large production scale and proprietary manufacturing technologies, which allow us to maintain a low-cost position. We had pro forma revenues for the nine months ended September 30, 2004 and the year ended December 31, 2003 of $8,357.7 million and $9,252.4 million, respectively.

Our Products and Segments

Our business is organized around our six segments: Polyurethanes, Advanced Materials, Performance Products, Pigments, Polymers and Base Chemicals. These segments can be divided into two broad categories: differentiated and commodity. We produce differentiated products primarily in our Polyurethanes, Advanced Materials and Performance Products segments. These products serve diverse end markets and are generally characterized by historical growth rates in excess of GDP growth

rates resulting from product substitution and new product development, proprietary manufacturing processes and product formulations and a high degree of customer loyalty. While the demand for these differentiated products is also influenced by worldwide economic conditions and GDP growth, our differentiated products have tended to produce more stable profit margins and higher demand growth rates than our commodity products.

In our commodity chemical businesses, we produce titanium dioxide derived from titanium-bearing ores in our Pigments segment and petrochemical-based olefins, aromatics and polyolefins products in our Polymers and Base Chemicals segments. Certain industry fundamentals have recently improved and, according to Nexant and IBMA, point to increased profitability in the markets for the major commodity products that we manufacture.

The following charts set forth information regarding the revenues and EBITDA of our six business segments for the nine months ended September 30, 2004:

Segment Revenues*

Segment EBITDA*

*

Percentage allocations in the segment revenues chart above reflect the allocation of all inter-segment revenue eliminations to our Base Chemicals segment. Percentage allocations in the segment EBITDA chart above do not give effect to $54.1 million of corporate and other unallocated items and exclude $202.4 million of restructuring and plant closing costs. For a detailed discussion of our EBITDA by segment, see Note 26 to the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus. For a discussion of EBITDA and a reconciliation of EBITDA to net income, see "Summary Historical and Pro Forma As Adjusted Financial Data."

The following table identifies the key products, their principal end markets and applications and representative customers of each of our segments:

Segment	Products	End Markets and Applications	Representative Customers
Polyurethanes	MDI, PO, polyols, PG, TDI, TPU, aniline and MTBE	automotive interiors, refrigeration and appliance insulation, construction products, footwear, furniture cushioning, adhesives, specialized engineering applications and fuel additives	BMW, Collins & Aikman, Electrolux, Firestone, Lear, Louisiana Pacific, Shell, Weyerhauser
Advanced Materials	epoxy resin compounds and formulations; cross-linking, matting and curing agents; epoxy, acrylic and polyurethane-based adhesives and tooling resin formulations	adhesives, aerospace, electrical power transmission, consumer electronics, civil engineering, wind power generation and automotive	ABB, Akzo, BASF, Boeing, Bosch, Cytec, Hexcel, Rohm & Haas, Sherwin Williams
Performance Products	ethyleneamines, ethanolamines, polyetheramines, carbonates, surfactants, LAB, maleic anhydride, EO and EG	detergents, personal care products, agrochemicals, lubricant and fuel additives, paints and coatings, construction, marine and automotive products and PET fibers and resins	ChevronTexaco, Colgate, Ecolab, Henkel, Monsanto, Procter & Gamble, Unilever
Pigments	titanium dioxide	paints and coatings, plastics, paper, printing inks, fibers and ceramics	Akzo, Atofina, Clariant, ICI, Jotun, PolyOne
Polymers	LDPE and LLDPE, polypropylene, EPS, styrene and APAO	flexible and rigid packaging, adhesives and automotive, medical and construction products	Ashland, Kerr, Kimberly Clark, Pliant, Polymer Group, PolyOne, Sealed Air
Base Chemicals	ethylene, propylene, butadiene, benzene, cyclohexane, paraxylene and MTBE	packaging film, polyester and nylon fibers, PVC, cleaning compounds, polymer resins, SBR rubber and fuel additives	Bayer, BP, Bridgestone/Firestone, Dow, DuPontSA, Invista, Goodyear, Nova, Shell, Solvay

Polyurethanes

We are a leading global manufacturer and marketer of a broad range of polyurethane chemicals, including MDI, PO, polyols, PG, TDI and TPU. Polyurethane chemicals are used to produce rigid and flexible foams, as well as coatings, adhesives, sealants and elastomers. We focus on the higher-margin, higher-growth markets for MDI and MDI-based polyurethane systems. Growth in our Polyurethanes

segment has been driven primarily by the continued substitution of MDI-based products for other materials across a broad range of applications. As a result, according to Nexant, global consumption of MDI grew at a compound annual growth rate of 7.3% from 1992 to 2003. According to Nexant, we are the lowest-cost and second-largest producer of MDI in the world. We operate four primary Polyurethanes manufacturing facilities in the U.S. and Europe. We also operate 14 Polyurethanes formulation facilities, which are located in close proximity to our customers worldwide. We have a significant interest in a manufacturing joint venture that has recently begun construction of a low-cost, world-scale, integrated MDI production facility near Shanghai, China.

Advanced Materials

We are a leading global manufacturer and marketer of technologically advanced epoxy, acrylic and polyurethane-based polymer products. We focus on formulations and systems that are used to address customer-specific needs in a wide variety of industrial and consumer applications. Our products are used either as replacements for traditional materials such as metal, wood, clay, glass, stone and ceramics, or in applications where traditional materials do not meet demanding engineering specifications. Our Advanced Materials segment is characterized by the breadth of our product offering, our expertise in complex chemistry, our long-standing relationships with our customers and our ability to develop and adapt our technology and our applications expertise for new markets and new applications. We market over 6,000 products to more than 5,000 customers. We operate 15 Advanced Materials synthesis and formulating facilities in North America, Europe, Asia, South America and Africa.

Performance Products

Our Performance Products segment is organized around three business groups, performance specialties, performance intermediates, and maleic anhydride and licensing, and serves a wide variety of consumer and industrial end markets. In performance specialties, we are a leading global producer of amines, carbonates and certain specialty surfactants. Growth in demand in our performance specialties business tends to be driven by the end-performance characteristics that our products deliver to our customers. These products are manufactured for use in a growing number of niche industrial end uses and have been characterized by growing demand and stable profitability. For example, we are one of two significant global producers of polyetheramines, for which our sales volumes have grown at a compound annual rate of over 13% in the last ten years due to strong demand in a number of industrial applications, such as epoxy curing agents, fuel additives and civil construction materials. In performance intermediates, we consume internally produced and third-party-sourced base petrochemicals in the manufacture of our surfactants, LAB and ethanolamines products, which are primarily used in detergent and consumer products applications and EG, which is primarily used in the production of polyester fibers and PET packaging. We believe we are North America's largest and lowest-cost producer of maleic anhydride. Maleic anhydride is the building block for UPRs, mainly used in the production of fiberglass reinforced resins for marine, automotive and construction products. We operate 16 Performance Products manufacturing facilities in North America, Europe and Australia.

Pigments

We are a leading global manufacturer and marketer of titanium dioxide, which is a white pigment used to impart whiteness, brightness and opacity to products such as paints, plastics, paper, printing inks, fibers and ceramics. According to IBMA, our Pigments segment, which operates under the trade name "Tioxide®," is the fourth largest producer of titanium dioxide in the world, with an estimated 12% of global production capacity, and the largest producer of titanium dioxide in Western Europe, with an estimated 23% of Western European production capacity. We operate eight chloride-based and

sulfate-based titanium dioxide manufacturing facilities located in North America, Europe, Asia and Africa.

Polymers

We manufacture and market polypropylene, polyethylene, EPS, EPS packaging and APAO. We consume internally produced and third-party-sourced base petrochemicals, including ethylene and propylene, as our primary raw materials in the manufacture of these products. In our polyethylene, APAO and certain of our polypropylene product lines, we pursue a targeted marketing strategy by focusing on those customers and end use applications that require customized polymer formulations. We produce these products at our smaller and more flexible Polymers manufacturing facilities and generally sell them at premium prices. In our other product lines, we maintain leading regional market positions and operate cost-competitive manufacturing facilities. We operate six primary Polymers manufacturing facilities in North America and Australia. We are expanding the geographic scope of our polyethylene business and improving the integration of our European Base Chemicals business through the construction of an integrated, low-cost, world-scale LDPE plant to be located adjacent to our existing olefins facility in Wilton, U.K. Upon completion of this facility, which we expect will occur in late 2007, we will consume approximately 50% of the output from our U.K. ethylene unit in the production of LDPE.

Base Chemicals

We are a highly integrated North American and European producer of olefins and aromatics. We consume a substantial portion of our Base Chemicals products, such as ethylene, propylene and benzene, in our Performance Products and Polyurethanes segments. We believe this integration leads to higher operating rates for our Base Chemical assets, improved reliability of raw material supply for our other segments and reduced logistics and transportation costs. We operate four Base Chemicals manufacturing facilities located on the Texas Gulf Coast and in northeast England. These facilities are equipped to process a variety of oil- and natural gas-based feedstocks and benefit from their close proximity to multiple sources of these raw materials. This flexibility allows us to optimize our operating costs. These facilities also benefit from extensive underground storage capacity and logistics infrastructure, including pipelines, deepwater jetties and ethylene liquefaction facilities.

Current Industry Conditions

Over the past several years, the global chemical industry has generally experienced depressed market conditions due to weak demand, lower capacity utilization rates and high, volatile feedstock costs. In 2004, the profitability of the industry generally improved as demand recovered and additions of new manufacturing capacity were limited.

Growth in our Polyurethanes and Advanced Materials segments has been driven by the continued substitution of our products for other materials across a broad range of applications as well as the level of global economic activity. In Polyurethanes, this growth, particularly in Asia, has recently resulted in improved demand and higher industry capacity utilization rates for many of our key products, including MDI. In 2004, the profitability of our Polyurethanes and Advanced Materials segments improved due to increased demand in several of our key industrial end markets, including aerospace, automotive and construction products. This allowed us to increase selling prices, which more than offset increases in the cost of our primary raw materials, including benzene, propylene and chlorine.

In our Performance Products segment, demand for our performance specialties has generally continued to grow at rates in excess of GDP as overall demand is significantly influenced by new product and application development. In 2004, overall demand for most of our performance intermediates was generally stable or improved, but excess surfactant manufacturing capacity in Europe

and a decline in the use of LAB in new detergent formulations limited our ability to increase prices in response to higher raw material costs. In EG, higher industry capacity utilization rates in 2004 due to stronger demand in the PET resin and Asian fiber markets resulted in higher profitability.

Our Pigments segment experienced difficult business conditions throughout 2003 and much of 2004, reflecting soft economic conditions, but industry fundamentals have recently strengthened. This has resulted in higher capacity utilization rates and improved product pricing. IBMA currently expects that titanium dioxide industry operating rates will continue to increase as a result of increased demand from improving economic conditions and a lack of significant new planned capacity additions.

The profitability of our Polymers and Base Chemicals segments has historically been cyclical. The industry has recently operated in a down cycle that resulted from significant new capacity additions, weak demand reflecting soft global economic conditions and high crude oil and natural gas-based raw material costs. Despite continued high feedstock costs, the profitability of our Base Chemicals segment improved in 2004 as demand strengthened and average selling prices and profit margins increased in most of our product lines. Limited new capacity additions have been announced for these products in North America and Western Europe over the next several years. Consequently, Nexant currently expects operating rates and profit margins in the polymers and base chemicals markets to increase as demand continues to recover as a result of improved global economic conditions.

Competitive Strengths

Leading Market Positions in Our Differentiated Product Segments

We derive a substantial portion of our revenues and EBITDA from our Polyurethanes, Advanced Materials and Performance Products segments, which manufacture our differentiated products. For the nine months ended September 30, 2004, these segments accounted for 52% of our revenues and 63% of our segment EBITDA, as described on page 2. We enjoy leading market positions in many of our primary product lines in these segments, including MDI, amines, carbonates, specialty surfactants, maleic anhydride, adhesives and epoxy-based polymer formulations. Demand for many of these products has been relatively resistant to changes in global economic conditions and has historically grown at rates in excess of GDP growth due to new product development and the continued substitution of our products for traditional materials and chemicals. We produce many of these products using our proprietary manufacturing processes, and we own many patents related to our processes, product formulations and their end-use applications. The markets for many of our differentiated products also benefit from a limited number of global producers, significant barriers to entry and a high degree of customer loyalty.

Large Scale, Integrated Manufacturer with Low Cost Operations

We are among the world's largest global manufacturers of chemical products. We operate 63 manufacturing facilities located in 22 countries as well as numerous sales, technical service and research facilities. We believe that the scale of our operations enables us to source raw materials and services that we purchase from third parties on terms more advantageous than those available to our smaller competitors. In addition, we are able to leverage selling, administrative and corporate overhead service platforms in order to reduce the operating costs of our businesses, including those that we have acquired. Our scale has also allowed us to rationalize smaller, less efficient capacity in recent years.

Our businesses also benefit from significant product integration. In 2003, we utilized approximately half of our ethylene production and all our EO production in the manufacturing operations of our Performance Products and Polymers segments. In addition, we utilized substantially all the benzene that we produced in the production of our aromatics and MDI. We believe that our high degree of product integration provides us with a competitive advantage over non-integrated producers by reducing both our exposure to cyclical raw material prices and our raw material transportation costs, as well as

increasing the operating rates of our facilities. We believe our large production scale and integration enable us to manufacture and market our products at costs that are lower than those achieved by smaller, less integrated producers.

Diverse Customer Base Across Broad Geographic Regions

We sell our products to a highly diverse base of customers who are located in all major geographic regions and represent many end-use industry groups. We have thousands of customers in more than 100 countries. We have developed a global presence, with approximately 47% of our pro forma revenues for the year ended December 31, 2003 from North America, approximately 37% from Europe, approximately 12% from the Asia/Pacific region and approximately 4% from South America and other regions. We believe that this diversity limits our dependence on any particular product line, customer, end market or geographic region.

Experienced Management

We are managed by an experienced group of executives, led by Jon M. Huntsman, our Chairman of the Board, and Peter R. Huntsman, our President and Chief Executive Officer. Jon M. Huntsman is the founder of our company and has over 40 years of experience in the chemicals and plastics industries. Peter Huntsman has over 20 years of experience in the chemicals and plastics industries. Both have been instrumental in leading our company through periods of growth and industry cycles. The balance of our executive management team has extensive industry experience and prior work experience at leading chemical and professional services firms, including Imperial Chemical Industries PLC ("ICI"), Texaco, Inc., Mobil Corporation, Bankers Trust Company and Skadden, Arps, Slate, Meagher & Flom LLP. Throughout our history, our management team has demonstrated expertise and entrepreneurial spirit in expanding our businesses, integrating numerous acquisitions and executing on significant cost cutting programs.

Business Strategy

Expand Our Differentiated Segments

Since 1999, we have invested over $500 million in discretionary capital expenditures and completed seven strategic acquisitions to expand our differentiated segments. As a result, for the nine months ended September 30, 2004, these segments produced 52% of our revenues and 63% of our segment EBITDA. We intend to continue to invest our capital in our higher-growth, higher-margin differentiated segments in order to expand the breadth of our product offerings, extend the geographic scope of these businesses and increase our production capacity to meet growing customer demand. As part of this strategy, we have a significant interest in a manufacturing joint venture that has recently begun construction of a world-scale MDI production facility near Shanghai, China. We believe that this will enable us to strengthen our long-standing presence in China and to further capitalize on the growth in demand for MDI in Asia. We intend to continue to invest in our global research and development capabilities in order to meet the increasingly sophisticated needs of our customers in areas of new product development and product application technology. We have recently announced that we will consolidate substantially all of our existing North American Polyurethanes, Advanced Materials and Performance Products research and development, technical service and process technology capabilities in a new, state-of-the-art facility to be constructed in The Woodlands, Texas.

Maximize Cash Generated By Our Commodity Segments

We derived 48% of our revenues and 37% of our segment EBITDA for the nine months ended September 30, 2004 from our Pigments, Polymers and Base Chemicals segments. We believe we have cost-competitive facilities in each of these segments, which produce primarily commodity products. In

periods of favorable market conditions, our commodity businesses have historically generated significant amounts of free cash flow. We intend to continue to selectively invest sufficient capital to sustain the competitive position of our existing commodity facilities and improve their cost structure. In addition, we intend to capitalize on the low-cost position of our Wilton, U.K. olefins facility by constructing a world-scale LDPE facility on an adjacent site.

Continue Focus on Improving Operational Efficiencies

We continuously focus on identifying opportunities to reduce our operating costs and maximize our operating efficiency. We have completed a number of targeted cost reduction programs and other actions since 1999. These programs have included, among other things, the closing of seven high-cost manufacturing units as well as reducing corporate and administrative costs. More recently, we have announced a comprehensive global cost reduction program, which we refer to as "Project Coronado," with a goal of further reducing our annual fixed manufacturing and selling, general and administrative costs by $200 million by 2006. In connection with Project Coronado, we have recently announced the closure of eight smaller, less competitive manufacturing units in our Polyurethanes, Advanced Materials, Performance Products and Pigments segments. These and other actions have resulted in the reduction of approximately 1,500 employees in these businesses since 2000.

Further Reduce Our Indebtedness

We intend to use substantially all of the net proceeds of approximately $1,450 million from the concurrent offerings of our common stock and our mandatory convertible preferred stock, together with cash on hand, to reduce our outstanding indebtedness. This will result in a significant reduction in our annual interest expense. If the profitability of our businesses continues to improve, we intend to further reduce the level of our indebtedness. The amount of any further reductions of our indebtedness will depend on a number of factors, including our future profitability and alternative uses for our available cash.

There are a number of risks that could limit our ability to successfully implement our business strategies, including, but not limited to, our inability to introduce new products or expand the geographic scope of our differentiated segments, our failure to successfully complete the construction of our new facilities in China or the U.K, our failure to effectively implement Project Coronado or any other cost savings initiatives and our inability to further reduce our level of indebtedness. In addition, while we may implement our strategies, the benefits derived from such implementation may be mitigated, in part or in whole, if we suffer from one or more of the risks described in "Risk Factors."

Our History

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 significant acquisitions and now own a global portfolio of commodity and differentiated businesses. In 1993, we purchased the LAB and maleic anhydride businesses of The Monsanto Company. In 1994, we purchased the global chemical business from what was formerly Texaco Inc. In 1997, we purchased our PO business from Texaco. Also in 1997, we acquired Rexene Corporation, significantly increasing the size of our Polymers business. In 1999, we acquired certain polyurethanes, pigments and European petrochemicals businesses from ICI. In 2000, we completed the acquisition of the Morton global TPU business from The Rohm and Haas Company. In 2001, we completed our acquisition of the global ethyleneamines business of Dow Chemical Company, and we completed our acquisition of the Albright & Wilson European surfactants business from Rhodia S.A. In 2003, we completed our acquisition of 88% of our Advanced Materials business through the purchase of Vantico Group S.A., and we now own approximately 90% of Advanced Materials. Approximately $518 million and $867 million of our revenues for 2003 and the nine months ended September 30, 2004, respectively, were attributable to the acquisition of Vantico Group S.A. Due

in part to the financing of these acquisitions, our subsidiaries have accumulated a significant amount of indebtedness, which totaled approximately $6,200.7 million as of September 30, 2004. We have also divested certain non-core businesses, including our packaging subsidiary in 1997 and our global styrenics business in 1998. For the years ended December 31, 2002 and 2003 and the nine months ended September 30, 2004, our net loss was $22.2 million, $319.8 million and $226.5 million, respectively.

The Reorganization Transaction

We will consummate the Reorganization Transaction in connection with the completion of this offering. In the Reorganization Transaction, Huntsman Holdings, LLC will become our wholly owned subsidiary, and the existing beneficial holders of the common and preferred membership interests of Huntsman Holdings, LLC, including the mandatorily redeemable preferred interests, will receive shares of our common stock in exchange for their interests. Huntsman Family Holdings Company LLC ("Huntsman Family Holdings"), which is owned by Jon M. Huntsman and certain members of his family, and MatlinPatterson Global Opportunities Partners L.P., MatlinPatterson Global Opportunities B, L.P. and MatlinPatterson Global Oportunities (Bermuda), L.P. (collectively, "MatlinPatterson") will cause all of the shares of our common stock they are entitled to receive in exchange for their membership interests in Huntsman Holdings, LLC to be delivered to HMP Equity Trust, a new entity formed by Huntsman Family Holdings and MatlinPatterson to hold such shares ("Investments Trust"). Immediately following the Reorganization Transaction and the offering, Investments Trust will hold approximately 63% of our outstanding common stock. The beneficiaries of Investments Trust are Huntsman Family Holdings and MatlinPatterson, and Investments Trust will be controlled by Jon M. Huntsman, Peter R. Huntsman, David J. Matlin and Christopher R. Pechock. In addition, as part of the Reorganization Transaction, the holders of warrants in our subsidiary HMP Equity Holdings Corporation ("HMP") will exchange all of their warrants for shares of our common stock following the completion of the offering. See "Our Company The Reorganization Transaction."

The following chart reflects a summary of our organizational structure immediately prior to the Reorganization Transaction and this offering:

(1) The warrants entitle the holders to purchase up to 12% of the common stock of HMP. As part of the Reorganization Transaction, the warrants will be exchanged for shares of our common stock.

(2) Represents HMP's common equity in Huntsman Advanced Materials LLC. The balance of the common equity of Huntsman Advanced Materials LLC is owned by third parties, including affiliates of SISU Capital Limited. In addition, Huntsman Group Inc. holds preferred equity in Huntsman Advanced Materials LLC with a $513.3 million liquidation preference.

The following chart reflects a summary of our organizational structure immediately after the completion of the Reorganization Transaction and this offering.

(1) Includes the former holders of warrants in HMP.

(2) Represents our common equity in Huntsman Advanced Materials LLC. The balance of the common equity is owned by third parties, including affiliates of SISU Capital Limited.

(3) In connection with the Reorganization Transaction and this offering, we intend to reorganize the ownership of certain of our operating subsidiaries. We will continue to own 100% of Huntsman International Holdings LLC, and we expect to hold a majority of the interest directly.

The Offering

Issuer	Huntsman Corporation
Common stock offered by us	55,681,819 shares
Common stock offered by the selling stockholder	4,545,455 shares
Common stock to be outstanding after this offering and the Reorganization Transaction	220,454,546 shares
Use of Proceeds	The net proceeds to us from this offering and the concurrent offering of our mandatory convertible preferred stock will be approximately $1,450 million. We intend to use all of such proceeds, together with cash on hand, to repay outstanding indebtedness and to purchase approximately $35.6 million of U.S. treasury securities that we will pledge as collateral to support our obligation to pay dividends on our mandatory convertible preferred stock. See "Use of Proceeds." We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholder.
New York Stock Exchange Symbol	HUN
Risk Factors	See "Risk Factors" in this prospectus for a discussion of factors you should consider carefully before deciding to invest in our common stock.

Unless we specifically state otherwise, all information in this prospectus:

- assumes no exercise of the over-allotment options granted to the underwriters of our common stock offering and our mandatory convertible preferred stock offering;
- excludes 2,372,740 shares of common stock issuable upon the exercise of options and 749,513 shares of restricted stock to be issued under the Huntsman Stock Incentive Plan upon completion of this offering. The per share exercise price of these options will equal the initial public offering price per share of common stock sold in this offering; and
- excludes up to 10,869,565 shares of common stock (plus up to an additional 1,630,435 shares of common stock if the underwriters exercise their over-allotment option in full) reserved for issuance upon the conversion of our mandatory convertible preferred stock.

Our principal executive offices are located at 500 Huntsman Way, Salt Lake City, Utah 84108, and our telephone number is (801) 584-5700.

Concurrent Mandatory Convertible Preferred Stock Offering

Concurrently with this offering, we are also making a public offering of 5,000,000 shares of our 5% mandatory convertible preferred stock for a public offering price of $50 per share. Such shares will be convertible into an aggregate of up to 10,869,565 shares of our common stock. We have granted the underwriters of that offering an option to purchase up to 750,000 additional shares of mandatory convertible preferred stock to cover over-allotments, which would be convertible into an aggregate of up to 1,630,435 shares of our common stock. Our mandatory convertible preferred stock has been approved for listing on the New York Stock Exchange under the symbol "HUNPr." For a description of the terms of our mandatory convertible preferred stock, see "Concurrent Offering of Mandatory Convertible Preferred Stock."

Recent Developments Expected Results for the Three Months Ended December 31, 2004

We are currently in the process of finalizing our consolidated financial results for the three month period ended December 31, 2004, and therefore final results are not yet available. Based on preliminary unaudited financial results for the three month period ended December 31, 2004, we estimate that our revenues for such three month period will be between $3,000 million and $3,200 million and operating income will be between $150 million and $190 million, including restructuring and plant closing costs of $90 million to $100 million. For the same period in 2003, we had revenues of approximately $2,370 million and operating income of approximately $85 million, including restructuring and plant closing costs of approximately $11 million. We estimate that depreciation and amortization expense for the three month period ended December 31, 2004 will be approximately $127 million as compared to approximately $123 million in the same period in 2003. Our financial results for the three month period ended December 31, 2004 have not been reviewed or audited by our independent registered public accounting firm. Our independent public accounting firm is in the process of conducting its audit with respect to our 2004 financial statements and such audit could result in changes to our preliminary estimates indicated above. The foregoing estimates constitute forward looking statements and are subject to risks and uncertainties, including those described under "Risk Factors" in this prospectus. We cannot assure you that our final results for the three months ended December 31, 2004 will be consistent with the foregoing estimates.

SUMMARY HISTORICAL AND PRO FORMA AS ADJUSTED FINANCIAL DATA

The summary historical financial data set forth below presents the historical financial data of our predecessor Huntsman Holdings, LLC. In such financial data, HIH is accounted for using the equity method of accounting through April 30, 2003. Effective May 1, 2003, as a result of the HIH Consolidation Transaction (as defined below), we have consolidated the financial results of HIH. Effective July 1, 2003, as a result of the AdMat Transaction (as defined below), we have consolidated the financial results of Advanced Materials. As a result, the financial information as of and for the year ended December 31, 2003 is not comparable to the prior years' historical financial data presented herein, and the financial information as of and for the nine months ended September 30, 2004 is not comparable to the financial information as of and for the nine months ended September 30, 2003.

In order to present data that is useful for comparative purposes, we have provided pro forma as adjusted statement of operations data for the year ended December 31, 2003 and the nine months ended September 30, 2003 and 2004, which gives pro forma effect to the following transactions as if each transaction had occurred on January 1, 2003:

- our May 2003 acquisition of the HIH equity interests held by third parties (the "HIH Consolidation Transaction");
- our June 2003 acquisition of an 88% equity interest in our Advanced Materials business and related financing transactions (the "AdMat Transaction"); and
- a series of debt refinancing transactions that took place in 2003 and 2004 (the "Refinancing Transactions") and other adjustments to reflect the interest expense related to our indebtedness as of September 30, 2004, as described in "Unaudited Pro Forma Financial Data,"

and which is adjusted to give effect to the following transactions as if each transaction had occurred on January 1, 2003:

- the Reorganization Transaction; and
- this offering and the use of the net proceeds to us as described in "Use of Proceeds."

We have also provided pro forma as adjusted balance sheet data which gives effect to the following transactions as if each transaction had occurred on September 30, 2004:

- the Refinancing Transactions that occurred subsequent to September 30, 2004;
- the Reorganization Transaction; and
- this offering and the use of the net proceeds to us as described in "Use of Proceeds."

In the Reorganization Transaction, the common and preferred interests of Huntsman Holdings, LLC and the warrants to acquire common stock of HMP (the "HMP Warrants") will be exchanged for shares of our common stock. See "Our Company The Reorganization Transaction."

The unaudited pro forma as adjusted financial data does not purport to be indicative of the combined financial position or results of operations of future periods or indicative of results that would have occurred had the above transactions been completed on the dates indicated.

The summary financial data set forth below should be read in conjunction with the Consolidated Financial Statements, "Management's Discussion and Analysis of Financial Condition and Results of

Operations," "Unaudited Pro Forma Financial Data," and "Selected Historical Financial Data" included elsewhere in this prospectus and, in each case, the notes related thereto.

	Year Ended December 31,				Nine Months Ended September 30,			
				Pro Forma As Adjusted			Pro Forma As Adjusted	
	2001	2002	2003	2003(a)	2003	2004	2003(a)	2004(a)
	(in millions, except per share amounts)							
Statement of Operations Data:								
Revenues	$ 2,757.4	$ 2,661.0	$ 7,080.9	$ 9,252.4	$ 4,711.1	$ 8,357.7	$ 6,885.2	$ 8,357.7
Cost of goods sold	2,666.6	2,421.0	6,373.1	8,255.1	4,258.7	7,358.0	6,150.1	7,358.0
Gross profit	90.8	240.0	707.8	997.3	452.4	999.7	735.1	999.7
Operating expenses	211.7	174.7	493.4	732.2	333.3	580.9	567.2	580.9
Restructuring, impairment and plant closing costs (credit)	588.5	(1.0)	37.9	55.0	27.2	202.4	44.3	202.4
Operating (loss) income	(709.4)	66.3	176.5	210.1	91.9	216.4	123.6	216.4
Interest expense net	(239.3)	(181.9)	(409.1)	(382.0)	(260.7)	(459.5)	(286.1)	(292.3)
Loss on sale of accounts receivable	(5.9)		(20.4)	(32.4)	(11.9)	(10.2)	(24.0)	(10.2)
Other income (expense)	0.6	(7.6)		(2.2)	0.4	(0.8)	(1.8)	(0.8)
Equity in (loss) income of unconsolidated affiliates	(86.8)	(31.4)	(37.5)	1.5	(38.2)	3.0	0.8	3.0
Income tax benefit (expense)	184.9	(8.5)	(30.8)	(32.1)	3.8	25.7	2.4	25.7
Minority interest in subsidiaries' loss (income)	13.1	(28.8)	1.5	6.8	0.5	(1.1)	5.8	(1.1)
Loss from continuing operations	(842.8)	(191.9)	(319.8)	(230.3)	(214.2)	(226.5)	(179.3)	(59.3)
Cumulative effect of accounting changes(b)	0.1	169.7						
Net loss	$ (842.7)	$ (22.2)	$ (319.8)	$ (230.3)	$ (214.2)	$ (226.5)	$ (179.3)	$ (59.3)
Basic and diluted per common share(c):								
Loss from continuing operations	$ (5.69)	$ (1.42)	$ (2.66)	$ (1.04)	$ (1.82)	$ (1.97)	$ (0.81)	$ (0.27)
Cumulative effect of accounting changes		1.15						
Net loss	$ (5.69)	$ (0.27)	$ (2.66)	$ (1.04)	$ (1.82)	$ (1.97)	$ (0.81)	$ (0.27)
Other Data:								
Net cash provided by (used in) operating activities	$ (287.0)	$ 88.7	$ 225.4		$ (36.8)	$ 55.9		
Net cash (used in) provided by investing activities	86.2	(24.5)	(908.5)		(842.1)	(160.7)		
Net cash provided by (used in) financing activities	182.2	(93.0)	786.7		947.7	128.2		
EBITDA(d)	(590.8)	320.9	473.5	$ 663.5	273.2	617.6	$ 463.3	$ 617.6
Total unusual items of (expense) income included in EBITDA(e)	(602.0)	145.4	(63.3)	(126.2)	(42.1)	(220.6)	(107.1)	(220.6)
Depreciation and amortization	197.5	152.7	353.4	479.7	230.5	410.3	358.9	410.3
Capital expenditures	76.4	70.2	191.0	228.9	129.9	145.0	167.8	145.0
Ratio of earnings to fixed charges and preferred dividends	(f)	(f)	(f)		(f)	(f)		(f)

	Year Ended December 31,	Nine Months Ended September 30,
Balance Sheet Data (at period end):		
Total assets	$ 8,993.8	$ 8,983.1
Total debt	6,200.7	5,009.1
Total liabilities	8,724.4	7,559.3
Stockholders' (deficit) equity	(441.4)	1,394.6

(a)

For a description of the pro forma adjustments, see "Unaudited Pro Forma Financial Data."

(b)

In 2002, we adopted SFAS No. 141, *"Business Combinations,"* resulting in an increase of $169.7 million in the carrying value of our investment in HIH to reflect the proportionate share of the underlying net assets. In 2001, we adopted SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities,"* resulting in a cumulative decrease in net loss of $0.1 million. See Note 2 to the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus.

(c)

All shares and per share information have been restated to give effect to the shares of common stock to be issued in respect of the outstanding membership interests in Huntsman Holdings, LLC in connection with the Reorganization Transaction. Pro forma per share information also gives effect to the shares of common stock to be issued in connection with this offering.

(d)

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

We believe that net income (loss) is the performance measure calculated and presented in accordance with GAAP that is most directly comparable to EBITDA and that cash provided by (used in) operating activities is the liquidity measure calculated and presented in accordance with GAAP that is most directly comparable to EBITDA. The following table reconciles EBITDA to our net loss and to our cash provided by (used in) operations:

	Year Ended December 31,				Nine Months Ended September 30,			
				Pro Forma As Adjusted			Pro Forma As Adjusted	
	2001	2002	2003	2003	2003	2004	2003	2004
	(in millions)							
EBITDA	$ (590.8)	$ 320.9	$ 473.5	$ 663.5	$ 273.2	$ 617.6	$ 463.3	$ 617.6
Depreciation and amortization expense	(197.5)	(152.7)	(353.4)	(479.7)	(230.5)	(410.3)	(358.9)	(410.3)
Interest expense, net	(239.3)	(181.9)	(409.1)	(382.0)	(260.7)	(459.5)	(286.1)	(292.3)
Income tax benefit (expense)	184.9	(8.5)	(30.8)	(32.1)	3.8	25.7	2.4	25.7
Net loss	(842.7)	(22.2)	(319.8)	$ (230.3)	(214.2)	(226.5)	$ (179.3)	$ (59.3)
Cumulative effect of accounting changes	(0.1)	(169.7)						
Equity in losses (income) of investment in unconsolidated affiliates	86.8	31.4	37.5		38.2	(3.0)		
Depreciation and amortization expense	197.5	152.7	353.4		230.5	410.3		
Non-cash restructuring, plant closing and asset impairment charges (credits)	528.2	(5.3)	9.7		12.3	109.0		
Non-cash interest	10.4	(5.5)	90.7		44.5	118.0		
Deferred income taxes	(184.5)		(3.6)		(27.8)	(55.8)		
Unrealized gains on foreign currency transactions			(58.3)		(17.4)	(26.1)		
Other, net	(4.3)	34.2	12.2		6.3	6.4		
Changes in operating assets and liabilities	(78.3)	73.1	103.6		(109.2)	(276.4)		
Net cash (used in) provided by operating activities	$ (287.0)	$ 88.7	$ 225.4		$ (36.8)	$ 55.9		

(e)

Included in EBITDA are the following unusual items of (expense) income:

	Year Ended December 31,				Nine Months Ended September 30,			
				Pro Forma As Adjusted			Pro Forma As Adjusted	
	2001	2002	2003	2003	2003	2004	2003	2004
	(in millions)							
Early extinguishment of debt(1)	$ (1.1)	$ (6.7)	$	$	$	$ (1.9)	$	$ (1.9)
Legal and contract settlement expense, net(2)			(2.0)	(5.5)		(6.1)	(5.5)	(6.1)
Loss on sale of accounts receivable(3)	(5.9)		(20.4)	(32.4)	(11.9)	(10.2)	(24.0)	(10.2)
Asset write down(4)			(3.0)	(5.8)	(3.0)		(5.8)	

	Year Ended December 31,				Nine Months Ended September 30,			
Restructuring, impairment and plant closing costs(5)	(588.5)	1.0	(37.9)	(55.0)	(27.2)	(202.4)	(44.3)	(202.4)
Reorganization costs(6)	(6.6)	(18.6)		(27.5)			(27.5)	
Cumulative effect of accounting changes	0.1	169.7						
Total unusual items of (expense) income included in EBITDA	$ (602.0)	$ 145.4	$ (63.3)	$ (126.2)	$ (42.1)	$ (220.6)	$ (107.1)	$ (220.6)

(1) Represents charges, primarily the non-cash write-off of deferred debt issuance costs related to early retirement of debt.

(2) Represents expense recognized in connection with legal settlements and contract terminations. See "Business Legal Proceedings."

(3) We maintain an accounts receivable securitization program under which we grant an undivided interest in certain of our trade accounts receivable to a qualified off-balance sheet entity. We incur losses on the accounts receivable program for the discount on receivables sold into the program and fees and expenses associated with the program. In addition, we retain responsibility for the economic gains and losses on forward contracts mandated by the terms of the program to hedge the currency exposure on the collateral supporting the off-balance sheet debt issued.

(4) Represents non-cash charges for asset impairments not associated with a restructuring program.

(5) Represents cash and non-cash charges for business exit costs, employee termination costs and asset impairments related to various restructuring plans. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Restructuring and Plant Closing Costs" and Note 10 to the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus.

(6) Represents costs incurred in connection with debt for equity exchanges and debt and equity restructuring activities.

(f) For the years ended December 31, 2001, 2002 and 2003, earnings were insufficient to cover fixed charges and preferred dividends by $974.8 million, $149.5 million and $339.9 million, respectively. For the nine months ended September 30, 2003 and 2004, earnings were insufficient to cover fixed charges and preferred dividends by $244.0 million and $312.1 million, respectively. For the nine months ended September 30, 2004 on a pro forma as adjusted basis, earnings were insufficient to cover fixed charges and preferred dividends by $111.5 million.

RISK FACTORS

You should carefully consider the risks described below in addition to all other information provided to you in this prospectus before making an investment decision. Any of the following risks could materially and adversely affect our business, results of operations and financial condition.

Risks Related to Our Business

We have a history of losses and may incur losses in the future, which could materially reduce the market price of our stock.

We have incurred net losses in each of the last five fiscal years and in the nine months ended September 30, 2004, and we had an accumulated deficit of $1,470 million as of September 30, 2004. We will need to generate additional revenues and/or significantly reduce costs, including interest expense, in order to avoid additional net losses in future periods. If we do achieve profitability, we may not sustain or increase profitability on a quarterly or annual basis. Failure to achieve or maintain profitability may materially reduce the market price of our stock.

Our available cash and access to additional capital may be limited by our substantial leverage, which could restrict our ability to grow our businesses.

Following this offering, we will have a substantial amount of indebtedness outstanding at our subsidiaries. As of September 30, 2004, on a pro forma as adjusted basis, we had total consolidated outstanding indebtedness of approximately $5,009.1 million (including the current portion of long-term debt). We may incur substantial additional debt from time to time for a variety of purposes. Our outstanding debt could have important consequences for our businesses, including:

- a high degree of debt will make us more vulnerable to a downturn in our businesses, our industry or the economy in general as a significant percentage of our cash flow from operations will be required to make payments on our indebtedness, making it more difficult to react to changes in our business and in market or industry conditions;
- a substantial portion of our future cash flow from operations may be required to be dedicated to the payment of principal and interest on indebtedness, thereby reducing the funds available for other purposes, including the growth of our businesses and the payment of dividends;
- our ability to obtain additional financing may be constrained due to our existing level of debt; and
- part of our indebtedness is, and any future debt may be, subject to variable interest rates, which makes us vulnerable to increases in interest rates.

The existing debt instruments of our subsidiaries contain restrictive covenants that may limit our ability to utilize our cash flow to operate our businesses by restricting our subsidiaries' ability to, among other things, make prepayments of certain debt, pay dividends to us, make investments and merge or consolidate and transfer or sell assets.

As of September 30, 2004, the current portion of our long term debt totaled $54.8 million. We estimate that, on a pro forma as adjusted basis, our annual interest expense for 2004 will be approximately $390 million. As of September 30, 2004, we had combined outstanding variable rate borrowings of approximately $2,500 million. Assuming a 1% increase in interest rates, without giving effect to interest rate hedges, our annual interest rate expense would increase by approximately $25 million. If we are unable to generate sufficient cash flow or are otherwise unable to obtain the funds required to meet payments of principal and interest on our indebtedness, or if we otherwise fail to comply with the various covenants in the instruments governing our indebtedness, we could be in default under the terms of those instruments. In the event of a default, a holder of the indebtedness could elect to declare all the funds borrowed under those instruments to be due and payable together with accrued and unpaid interest, the lenders under our credit facilities could elect to terminate their

commitments thereunder and we or one or more of our subsidiaries could be forced into bankruptcy or liquidation. Any of the foregoing consequences could restrict our ability to grow our business and cause the value of our common stock to decline.

A downgrade in the ratings of the debt securities of our subsidiaries could result in increased interest and other financial expenses related to the borrowings of our subsidiaries and could restrict our access to additional capital or trade credit.

Standard and Poor's Ratings Services and Moody's Investors Service maintain credit ratings for our primary subsidiaries. Each of these ratings is currently below investment grade. Any decision by these or other ratings agencies to downgrade such ratings in the future could result in increased interest and other financial expenses relating to the future borrowings of our subsidiaries and could restrict our ability and the ability of our subsidiaries to obtain additional financing on satisfactory terms. In addition, any downgrade could restrict our access to, and negatively impact the terms of, trade credit extended by our suppliers of raw materials.

We are a holding company, with no revenue generating operations of our own. We depend on the performance of our subsidiaries and their ability to make distributions to us.

We are a holding company with no business operations, sources of income, indebtedness or assets of our own other than our ownership interests in our subsidiaries. Because all our operations are conducted by our subsidiaries, our cash flow and our ability to repay debt that we may incur after this offering and our ability to pay dividends to our stockholders, including the dividends on the mandatory convertible preferred stock that we are offering concurrently with our common stock offering, are dependent upon cash dividends and distributions or other transfers from our subsidiaries. Payment of dividends, distributions, loans or advances by our subsidiaries to us are subject to restrictions imposed by the current and future debt instruments of our subsidiaries. Moreover, our principal operating subsidiaries, HIH, HLLC and Advanced Materials, are financed separately from each other, and the debt instruments of each such subsidiary limit our ability to allocate cash flow or resources from one subsidiary, and its related group of subsidiaries, to another subsidiary group. Further, payments of dividends and other distributions by Advanced Materials are currently subject to the consent of the holders of minority interests in Advanced Materials. In addition, payments or distributions from our subsidiaries could be subject to restrictions on dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which our subsidiaries operate. As of September 30, 2004, on a pro forma as adjusted basis, our subsidiaries had total outstanding indebtedness of approximately $5,009.1 million (including the current portion of long-term debt).

Our subsidiaries are separate and distinct legal entities. Any right that we have to receive any assets of or distributions from any of our subsidiaries upon the bankruptcy, dissolution, liquidation or reorganization of any such subsidiary, or to realize proceeds from the sale of their assets, will be junior to the claims of that subsidiary's creditors, including trade creditors and holders of debt or preferred stock issued by that subsidiary.

Demand for many of our products is cyclical, and we may experience prolonged depressed market conditions for such products.

Historically, the markets for many of our products, particularly our commodity products, have experienced alternating periods of tight supply, causing prices and profit margins to increase, followed by periods of capacity additions, resulting in oversupply and declining prices and profit margins. Currently, several of our markets continue to experience conditions of oversupply, and the pricing of our products in these markets is depressed. Future growth in demand for these products may not be sufficient to alleviate any existing or future conditions of excess industry capacity, and such conditions

may be sustained or further aggravated by anticipated or unanticipated capacity additions or other events.

We derive a substantial portion of our revenue from sales of commodity products. Due to the commodity nature of these products, competition in these markets is based primarily on price and to a lesser extent on performance, product quality, product deliverability and customer service. As a result, we may not be able to protect our market position for these products by product differentiation and may not be able to pass on cost increases to our customers. Historically, the prices for our commodity products have been cyclical and sensitive to relative changes in supply and demand, the availability and price of feedstocks and general economic conditions. Our other products may be subject to these same factors, but, typically, the impact of these factors is greatest on our commodity products.

Significant price volatility or interruptions in supply of our raw materials may result in increased costs that we may be unable to pass on to our customers, which could reduce our profitability.

The prices of the raw materials that we purchase from third parties are cyclical and volatile. We purchase a substantial portion of these raw materials from third party suppliers, and the cost of these raw materials represents a substantial portion of our operating expenses. The prices for a number of these raw materials generally follow price trends of, and vary with market conditions for, crude oil and natural gas feedstocks, which are highly volatile and cyclical. In recent periods, we have experienced significantly higher crude oil prices, which have resulted in increased raw material prices. According to CMAI, the average price of WTI crude oil in the U.S. was $26.09 per barrel in 2002, $31.11 per barrel in 2003 and $39.13 per barrel for the nine months ended September 30, 2004. Similarly, according to CMAI, the average price of natural gas in the U.S. was $3.32 per MMbtu in 2002, $5.45 per MMbtu in 2003 and $5.85 per MMbtu for the nine months ended September 30, 2004.

Although we frequently enter into supply agreements to acquire these raw materials, these agreements typically provide for market based pricing and provide us only limited protection against price volatility. While we attempt to match cost increases with corresponding product price increases, we are not always able to raise product prices immediately or at all. Timing differences between raw material prices, which may change daily, and contract product prices, which in many cases are negotiated only monthly or less often, have had and may continue to have a negative effect on profitability. If any of our suppliers is unable to meet its obligations under present supply agreements, we may be forced to pay higher prices to obtain the necessary raw materials from other sources and we may not be able to increase prices for our finished products to recoup the higher raw materials cost. In addition, if any of the raw materials that we use become unavailable within the geographic area from which they are now sourced, then we may not be able to obtain suitable and cost effective substitutes. Any underlying cost increase that we are not able to pass on to our customers or any interruption in supply of raw materials could increase our costs or decrease our revenues, which could reduce our profitability.

The industries in which we compete are highly competitive, and we may not be able to compete effectively with our competitors that have greater financial resources, which could reduce the trading price of our stock.

The industries in which we operate are highly competitive. Among our competitors are some of the world's largest chemical companies and major integrated petroleum companies that have their own raw material resources. Some of these companies may be able to produce products more economically than we can. In addition, some of our competitors have greater financial resources, which may enable them to invest significant capital into their businesses, including expenditures for research and development. If any of our current or future competitors develops proprietary technology that enables them to produce products at a significantly lower cost, our technology could be rendered uneconomical or obsolete. Moreover, certain of our businesses use technology that is widely available. Accordingly, barriers to entry, apart from capital availability, are low in certain commodity product segments of our

business, and the entrance of new competitors into the industry may reduce our ability to capture improving profit margins in circumstances where capacity utilization in the industry is increasing. Further, petroleum-rich countries have become more significant participants in the petrochemical industry and may expand this role significantly in the future. Increased competition in any of our businesses could compel us to reduce the prices of our products, which could result in reduced profit margins and/or loss of market share and reduce the trading price of our stock.

Our operations involve risks that may increase our operating costs, which could reduce our profitability.

Although we take precautions to enhance the safety of our operations and minimize the risk of disruptions, our operations are subject to hazards inherent in the manufacturing and marketing of differentiated and commodity chemical products. These hazards include: pipeline leaks and ruptures; explosions; fires; severe weather and natural disasters; mechanical failures; unscheduled downtimes; labor difficulties; transportation interruptions; remediation complications; chemical spills; discharges or releases of toxic or hazardous substances or gases; storage tank leaks; and other risks. Some of these hazards can cause bodily injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties and liabilities. Furthermore, we are subject to present and future claims with respect to workplace exposure, exposure of contractors on our premises as well as other persons located nearby, workers' compensation and other matters.

We maintain property, business interruption and casualty insurance policies which we believe are in accordance with customary industry practices, but we are not fully insured against all potential hazards and risks incident to our business. We maintain property damage and business interruption insurance policies with aggregate limits of $1 billion per occurrence and products liability and sudden and accidental insurance policies with aggregate per occurrence and annual limits of $600 million. We also maintain insurance policies covering other types of risks, including pollution legal liability insurance. Each of these insurance policies is subject to customary exclusions, deductibles and coverage limits. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, it could materially increase our operating costs and therefore reduce our profitability.

In addition, we are subject to various claims and litigation in the ordinary course of business. In conjunction with many of our past acquisitions, we have obtained indemnity agreements from the prior owners addressing liabilities that may arise from operations and events prior to our ownership. We are a party to several pending lawsuits and proceedings. It is possible that a judgment could be rendered against us in these cases or others in which we could be uninsured or not covered by indemnity and beyond the amounts that we currently have reserved or anticipate incurring for such matters. See "Business Legal Proceedings" and "Business Environmental, Health and Safety Matters."

Our independent auditors have reported several material weaknesses in our internal controls that, if not remedied, could result in material misstatements in our financial statements, cause investors to lose confidence in our reported financial information and result in a lower trading price of our stock.

In connection with the audit of our financial statements for the year ended December 31, 2003, our independent registered public accounting firm, or auditors, identified several matters that they deemed to be "material weaknesses" in our internal controls as defined in standards established by the American Institute of Certified Public Accountants. The auditors noted that these material weaknesses had led to restatements of the financial statements of certain of our subsidiaries in recent periods.

The principal material weakness identified by our auditors was that our controllership function did not have an adequate formal process in place to gather the data required to prepare the financial statements and disclosures required for the numerous financial reporting requirements of our subsidiaries. Specifically, the auditors noted that there was not a detailed review of the data supporting

the disclosures in our financial statements by a senior member of our controllership function, that supporting documentation for certain disclosures was very limited, that the processes used to aggregate the information varied by subsidiary, without a standard, comprehensive package of supporting disclosure, and that information delivered to senior management and our audit committee was not timely and was often incomplete.

In addition, the auditors noted that we had made a data entry error during the transition of our PO business to the SAP enterprise resource planning system in April 2003. This error, which was not detected until February 2004, led to the restatement of the third quarter 2003 financial statements of certain of our subsidiaries, resulting in a $12.3 million increase in our net loss for the three months ended September 30, 2003. The auditors also noted that during 2003, loss on sale of accounts receivable related to our receivables securitization program was reported incorrectly due to a failure to properly understand certain aspects of the securitization program and a lack of oversight in the accounting for the program. This error led to the restatement of the financial statements of certain of our subsidiaries for the first three quarters of 2003, resulting in a $17.9 million decrease in our net loss for the three months ended March 31, 2003, a $12.3 million decrease in our net loss for the three months ended June 30, 2003 and a $6.4 million decrease in our net loss for the three months ended September 30, 2003.

On October 12, 2004, we announced that we had determined to reclassify certain amounts in our consolidated statements of cash flows caused by errors in the automated process by which we determined the effect and classification of foreign exchange rates, the classification of repayment of debt by a subsidiary and the classification of certain fees paid in connection with the AdMat Transaction on our statements of cash flows. These errors led to a restatement of the financial statements of certain of our subsidiaries for the six months ended June 30, 2004 and the years ended December 31, 2003, 2002 and 2001. These reclassifications had no impact on our consolidated statements of operations or balance sheets.

In connection with the audit of our financial statements for the nine months ended September 30, 2004, our auditors advised us of various matters involving our internal controls, relating to the closing of our books and records, that they considered to be a "reportable condition." Our auditors advised us that they believe this condition contributed to a number of misstatements in our financial statements that individually and in the aggregate were not material. Although our auditors advised us of this reportable condition, they did not judge it to be a material weakness in connection with the audit of our financial statements for the nine months ended September 30, 2004. In conducting such audit our auditors did not undertake to audit our internal controls, and thus we cannot give any assurance that they would not note additional material weaknesses or reiterate the material weaknesses described above had they done so.

We entered into a number of significant transactions in 2003, including the acquisition of the HIH minority interests and the AdMat Transaction, which significantly increased our financial reporting obligations. To improve our financial accounting organization and processes, we appointed a new independent director as the chairman of the audit committee of each of our principal subsidiaries in December 2003. In addition, since the beginning of 2004, we have replaced our Controller and have added 13 new positions in the areas of finance, treasury, internal controls and internal audit, including a Director of Financial Reporting and a Director of Internal Controls. We intend to add two more positions in internal audit before the end of the first quarter of 2005. We have also adopted and implemented additional policies and procedures to strengthen our financial reporting system. However, the process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. Upon completion of this offering, we will have had only limited operating experience with the improvements we have made to date. The effectiveness of the measures we have taken to address the material weaknesses described above have not been

independently audited or evaluated. The measures we have taken to date or any measures we take in the future may not be sufficient to remediate the material weaknesses reported by our independent auditors. We may not be able to implement and maintain adequate controls over our financial processes and reporting in the future, which may require us to restate our financial statements in the future. In addition, we may discover additional past, ongoing or future weaknesses or significant deficiencies in our financial reporting system in the future.

Any failure to remediate the material weaknesses or reportable conditions noted by our independent auditors in connection with our audits or to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Any such failure also could adversely affect the results of the periodic management evaluations and annual auditor attestation reports regarding the effectiveness of our "internal control over financial reporting" that will be required when the SEC's rules under Section 404 of the Sarbanes-Oxley Act of 2002 become applicable to us beginning with our Annual Report on Form 10-K for the year ending December 31, 2005 to be filed in the first quarter of 2006. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could result in a lower trading price of our stock.

We are subject to many environmental and safety regulations that may result in unanticipated costs or liabilities, which could reduce our profitability.

We are subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to pollution, protection of the environment and the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. Actual or alleged violations of environmental laws or permit requirements could result in restrictions or prohibitions on plant operations, substantial civil or criminal sanctions, as well as, under some environmental laws, the assessment of strict liability and/or joint and several liability. Moreover, changes in environmental regulations could inhibit or interrupt our operations, or require us to modify our facilities or operations. Accordingly, environmental or regulatory matters may cause us to incur significant unanticipated losses, costs or liabilities, which could reduce our profitability. See "Business Environmental, Health and Safety Matters."

In addition, we could incur significant expenditures in order to comply with existing or future environmental or safety laws. Capital expenditures and costs relating to environmental or safety matters will be subject to evolving regulatory requirements and will depend on the timing of the promulgation and enforcement of specific standards which impose requirements on our operations. Capital expenditures and costs beyond those currently anticipated may therefore be required under existing or future environmental or safety laws.

Furthermore, we may be liable for the costs of investigating and cleaning up environmental contamination on or from our properties or at off-site locations where we disposed of or arranged for the disposal or treatment of hazardous materials or from disposal activities that pre-dated our purchase of our businesses. We may therefore incur additional costs and expenditures beyond those currently anticipated to address all such known and unknown situations under existing and future environmental laws. See "Business Environmental, Health and Safety Matters."

Existing or future litigation or legislative initiatives restricting the use of MTBE in gasoline may subject us or our products to environmental liability or materially reduce our sales and/or materially increase our costs.

We produce MTBE, an oxygenate that is blended with gasoline to reduce vehicle air emissions and to enhance the octane rating of gasoline. The use of MTBE is controversial in the U.S. and elsewhere and may be substantially curtailed or eliminated in the future by legislation or regulatory action. For example, California, New York and Connecticut have adopted rules that prohibit the use of MTBE in

gasoline sold in those states as of January 1, 2004. Overall, states that have taken some action to prohibit or restrict the use of MTBE in gasoline account for a substantial portion of the "pre-ban" U.S. MTBE market. Additional phase-outs or other future regulation of MTBE may result in a significant reduction in demand for our MTBE, a material loss in revenues or material increase in compliance costs or expenditures. In addition, a number of lawsuits have been filed, primarily against gasoline manufacturers, marketers and distributors, by persons seeking to recover damages allegedly arising from the presence of MTBE in groundwater. While we have not been named as a defendant in any litigation concerning the environmental effects of MTBE, we may in the future become involved in such litigation, which could cause us to incur significant unanticipated losses, costs or liabilities and therefore reduce our profitability. See "Business Environmental, Health and Safety Matters."

Our results of operations may be adversely affected by fluctuations in currency exchange rates and international business risks.

Some of our subsidiaries conduct a significant portion of their business outside the U.S. These operations outside the U.S. are subject to risks normally associated with international operations. These risks include the need to convert currencies which may be received for our products into currencies in which our subsidiaries purchase raw materials or pay for services, which could result in a gain or loss depending on fluctuations in exchange rates. In addition, we translate our local currency financial results into U.S. dollars based on average exchange rates prevailing during the reporting period or the exchange rate at the end of that period. During times of a strengthening U.S. dollar, our reported international sales and earnings may be reduced because the local currency may translate into fewer U.S. dollars. Because we currently have significant operations located in the United Kingdom and continental Europe, we are primarily exposed to fluctuations in the pound sterling, the euro and the Swiss franc. Furthermore, we anticipate increased exposure to the Chinese renminbi following completion of the construction of our MDI production facilities in China through our Chinese joint ventures, currently expected in 2006.

Other risks of international operations include trade barriers, tariffs, exchange controls, national and regional labor strikes, social and political risks, general economic risks and required compliance with a variety of foreign laws, including tax laws. Furthermore, in foreign jurisdictions where process of law may vary from country to country, we may experience difficulty in enforcing agreements. In jurisdictions where bankruptcy laws and practices may vary, we may experience difficulty collecting foreign receivables through foreign legal systems. The occurrence of these risks could disrupt the businesses of our international subsidiaries, which could significantly affect their ability to make distributions to us.

Our business is dependent on our intellectual property. If our patents are declared invalid or our trade secrets become known to our competitors, our ability to compete may be impaired.

Proprietary protection of our processes, apparatuses and other technology is important to our business. Consequently, we may have to rely on judicial enforcement of our patents and other proprietary rights. While a presumption of validity exists with respect to patents issued to us in the U.S., there can be no assurance that any of our patents will not be challenged, invalidated, circumvented or rendered unenforceable. Furthermore, if any pending patent application filed by us does not result in an issued patent, or if patents are issued to us, but such patents do not provide meaningful protection of our intellectual property, then our ability to compete may be adversely affected. Additionally, our competitors or other third parties may obtain patents that restrict or preclude our ability to lawfully produce or sell our products in a competitive manner, which could result in significantly lower revenues, reduced profit margins and/or loss of market share.

We also rely upon unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain our competitive position. While it is our policy to enter into confidentiality agreements with our employees and third parties to protect our intellectual

property, these confidentiality agreements may be breached, may not provide meaningful protection for our trade secrets or proprietary know-how, or adequate remedies may not be available in the event of an unauthorized use or disclosure of our trade secrets and know-how. In addition, others could obtain knowledge of our trade secrets through independent development or other access by legal means. The failure of our patents or confidentiality agreements to protect our processes, apparatuses, technology, trade secrets or proprietary know-how could result in significantly lower revenues, reduced profit margins and/or loss of market share.

Loss of key members of our management could disrupt our business.

We depend on the continued employment and performance of our senior executives and other key members of management. If any of these individuals resigns or becomes unable to continue in his present role and is not adequately replaced, our business operations and our ability to implement our growth strategies could be materially disrupted. We generally do not have employment agreements with, and we do not maintain any "key man" life insurance for, any of our executive officers. See "Management."

Terrorist attacks, such as the attacks that occurred on September 11, 2001, the continuing military action in Iraq, general instability in various OPEC member nations, the threat of other attacks or acts of war in the U.S. and abroad and increased security regulations related to our industry could adversely affect our business.

The attacks of September 11, 2001, and subsequent events, including the continuing military action in Iraq, have caused instability in the U.S. and other financial markets and have led, and may continue to lead, to further armed hostilities, prolonged military action in Iraq, or further acts of terrorism in the U.S. or abroad, which could cause further instability in financial markets. Current regional tensions and conflicts in various OPEC member nations, including the continuing military action in Iraq, have caused, and may cause further, increases in raw material costs, particularly natural gas and crude oil based feedstocks, which are used in our operations. The uncertainty surrounding the continuing military action in Iraq and the threat of further armed hostilities or acts of terrorism may impact any or all of our physical facilities and operations, which are located in North America, Europe, Australia, Asia, Africa, South America and the Middle East, or those of our customers. Furthermore, terrorist attacks, subsequent events and future developments in any of these areas may result in reduced demand from our customers for our products. In addition, local, state and federal governments have begun a regulatory process that could lead to new regulations impacting the security of chemical plant locations and the transportation of hazardous chemicals, which could result in higher operating costs. These developments will subject our worldwide operations to increased risks and, depending on their magnitude, could result in significant unanticipated costs, lower revenues and/or reduced profit margins.

Future acquisitions, partnerships and joint ventures may require significant resources and/or result in significant unanticipated losses, costs or liabilities.

In the future we may seek to grow our company and businesses by making acquisitions or entering into partnerships and joint ventures. Any future acquisition, partnership or joint venture may require that we make a significant cash investment, issue stock or incur substantial debt. In addition, acquisitions, partnerships or investments may require significant managerial attention, which may be diverted from our other operations. These capital, equity and managerial commitments may impair the operation of our businesses. Furthermore, any future acquisitions of businesses or facilities could entail a number of additional risks, including:

problems with effective integration of operations;

the inability to maintain key pre-acquisition business relationships;

increased operating costs;

exposure to unanticipated liabilities; and

difficulties in realizing projected efficiencies, synergies and cost savings.

We have incurred indebtedness to finance past acquisitions. We may finance future acquisitions with additional indebtedness and/or by issuing additional equity securities. As a result, we could face the financial risks associated with incurring additional indebtedness such as reducing our liquidity and access to financing markets and increasing the amount of cash flow required to service such indebtedness.

Risks Related to the Ownership of Our Common Stock

Our common stock has no prior market, and our stock price may decline or fluctuate substantially after the offering.

Before this offering, there has not been a public market for our common stock. Although our common stock has been approved for listing on the New York Stock Exchange, an active trading market for our shares may not develop or be sustained after this offering. An illiquid market for our common stock may result in volatility and poor execution of buy and sell orders for investors. The initial public offering price for our shares has been determined by negotiations among the underwriters and us. The initial public offering price may not correspond to the price at which our shares will trade in the public market subsequent to this offering. In addition, the price of our shares available in the public market may not reflect our actual financial performance. As a result, you may not be able to resell your shares at or above the initial public offering price. Among the factors that could affect our stock price are:

our operating and financial performance and prospects;

quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income, EBITDA and revenues;

the amount and timing of operating costs and capital expenditures relating to the maintenance and expansion of our business, operations and infrastructure;

strategic actions by us or our competitors, such as acquisitions or restructurings;

sales of our common stock by stockholders;

actions by institutional investors or by our principal stockholders;

fluctuations in oil and natural gas prices;

changes in the availability or prices of raw materials;

general market conditions, including fluctuations in commodity prices; and

U.S. and international economic, legal and regulatory factors unrelated to our performance.

The stock markets in general have experienced extreme volatility that has at times been unrelated to the operating performance of particular companies. These broad market fluctuations may also result in a lower trading price of our common stock.

Future sales of our common stock may depress our stock price.

Sales of a substantial number of shares of our common stock after the offering could result in a lower market price of our common stock by introducing a significant increase in the supply of our common stock to the market. This increased supply could cause the market price of our common stock to decline significantly.

After the offering and the Reorganization Transaction, we will have outstanding 220,454,546 shares of common stock, we will have reserved 21,590,909 shares of common stock for issuance under the Huntsman Stock Incentive Plan and we will have reserved 10,869,565 shares of our common stock to be issued upon the conversion of our mandatory convertible preferred stock. Subject to the lock-up

agreements described in "Underwriting," all the shares of common stock and mandatory convertible preferred stock sold in the offering will be freely tradable without restriction or further registration under the federal securities laws unless purchased by one of our "affiliates," as that term is defined in Rule 144 under the Securities Act. The remaining shares of outstanding common stock, including shares held by Investments Trust and its affiliates, will be "restricted securities" under the Securities Act and will be subject to restrictions on the timing, manner and volume of sales. Subject to any anti-dilution adjustments, up to 10,869,565 shares of common stock will be issuable upon conversion of the shares of mandatory convertible preferred stock (or up to 12,500,000 shares if the underwriters exercise their option to purchase additional shares of mandatory convertible preferred stock in full). All of such shares of common stock will be available for immediate resale in the public market upon conversion, except for any such shares acquired by our affiliates or by persons who are subject to the lock-up agreements described below, which shares will be subject to the terms of such lock-up agreements.

Our executive officers and directors and substantially all of our other stockholders (including Investments Trust) have entered into lock-up agreements with the underwriters as described in "Underwriting." In addition, in order to receive shares of our common stock in exchange for their HMP Warrants, the holders of the HMP Warrants must enter into the lock-up agreements described in "Shares Eligible for Future Sale." Upon the expiration of these lock-up agreements, the shares outstanding and owned by such persons may be sold in the future without registration under the Securities Act to the extent permitted by Rule 144 or any applicable exemption under the Securities Act. Under registration rights agreements between Investments Trust, certain other stockholders and our company, Investments Trust and such other stockholders, who will collectively hold 160,227,272 shares of our common stock after this offering, will have the right to require us to register their shares of our common stock following the lock-up period. The possibility that Investments Trust, such other stockholders or any of their or our affiliates may dispose of shares of our common stock, or the announcement or completion of any such transaction, could result in a lower market price of our common stock. See "Certain Relationships and Related Transactions" and "Shares Eligible for Future Sale."

As a new investor, you will experience immediate and substantial dilution in the value of your shares.

Purchasers of our common stock in this offering will experience immediate dilution of $17.89 in pro forma net tangible book value per share as of September 30, 2004. Dilution per share represents the difference between the initial public offering price and the net consolidated book value per share immediately after the offering of our common stock. See "Dilution."

We are indirectly controlled by the Huntsman family and MatlinPatterson, whose interests may conflict with those of our company or our other stockholders, and other stockholders' voting power may be limited.

Following the consummation of this offering, Jon M. Huntsman and other members of the Huntsman family and MatlinPatterson will indirectly control, in the aggregate, approximately 63% of our outstanding common stock through their beneficial ownership of Investments Trust and will have the ability to:

- elect a majority of the members of the board of directors of our company;
- subject to applicable law and the rights of holders of our mandatory convertible preferred stock, determine, without the consent of our other stockholders, the outcome of certain matters submitted to our stockholders for approval, including amendments to our certificate of incorporation, mergers, consolidations and the sale of all or substantially all of our assets; and
- subject to applicable law, prevent or cause a change in control of our company.

The interests and objectives of our controlling stockholders may be different from those of our company or our other stockholders, and our controlling stockholders may vote their common stock in a

manner that may adversely affect our other stockholders. In addition, four of our directors, Mr. Jon M. Huntsman, Mr. Peter R. Huntsman, Mr. David J. Matlin and Mr. Christopher R. Pechock, will control Investments Trust. This may create conflicts of interest because these directors have responsibilities to Investments Trust and its beneficial owners. Their duties to Investments Trust and its beneficial owners may conflict with their duties as directors of our company regarding business dealings between Investments Trust and us and other matters. The resolution of these conflicts may not always be in our or our stockholders' best interest.

Investments Trust's controlling position and provisions contained in our certificate of incorporation and bylaws could discourage a takeover attempt, which may reduce or eliminate the likelihood of a change of control transaction and, therefore, your ability to sell your shares at a premium.

Investments Trust's controlling position, as well as provisions contained in our certificate of incorporation and bylaws, such as a classified board of directors, limitations on stockholder proposals at meetings of stockholders and the inability of stockholders to call special meetings, and certain provisions of Delaware law, could make it more difficult for a third party (other than Investments Trust and its affiliates) to acquire control of our company, even if some of our stockholders considered such a change of control to be beneficial. Our certificate of incorporation also authorizes our board of directors to issue preferred stock without stockholder approval. If our board of directors elects to issue preferred stock that has special voting or other rights, it could make it more difficult for a third party to acquire us. These provisions taken together or individually may reduce or eliminate your ability to sell your shares of common stock at a premium. See "Description of Capital Stock."

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this prospectus, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "could," "expect," "potential," "plan," "intend," "estimate," "anticipate," "believe" or "continue" or the negative thereof or variations thereon or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurances that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations are disclosed under "Risk Factors" and elsewhere in this prospectus, including, without limitation, in conjunction with the forward-looking statements included in this prospectus.

OUR COMPANY

Our History

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 significant acquisitions and now own a global portfolio of commodity and differentiated businesses. In 1993, we purchased the LAB and maleic anhydride businesses of Monsanto. In 1994, we purchased the global chemical business from what was formerly Texaco. In 1997, we purchased our PO business from Texaco. Also in 1997, we acquired Rexene Corporation, significantly increasing the size of our polymers business. In 1999, we acquired certain polyurethanes, pigments and European petrochemicals businesses from ICI. In 2000, we completed the acquisition of the Morton global TPU business from Rohm and Haas. In 2001, we completed our acquisition of the global ethyleneamines business of Dow, and we completed our acquisition of the Albright & Wilson European surfactants business from Rhodia. In 2003, we completed our acquisition of 88% of our Advanced Materials business, and we now own approximately 90% of Advanced Materials. We have also divested certain non-core businesses, including our packaging subsidiary in 1997 and our global styrenics business in 1998. On September 30, 2002, we completed a series of restructuring transactions that included a debt for equity exchange (the "HLLC Restructuring"), which resulted in the Huntsman family, MatlinPatterson and Consolidated Press Holdings Limited ("Consolidated Press") acquiring substantially all of our equity interests. See "Certain Relationships and Related Transactions The HLLC Restructuring."

The Reorganization Transaction

We will consummate the Reorganization Transaction in connection with the completion of this offering. In the Reorganization Transaction, Huntsman Holdings, LLC will become our wholly owned subsidiary, and the existing beneficial holders of the common and preferred membership interests of Huntsman Holdings, LLC, including the mandatorily redeemable preferred interests, will receive shares of our common stock in exchange for their interests. Immediately following the Reorganization Transaction and this offering, such holders will control approximately 65% of our outstanding common stock. Huntsman Family Holdings and MatlinPatterson will cause all of the shares of our common stock they are entitled to receive in exchange for their beneficial interests in Huntsman Holdings, LLC to be delivered to Investments Trust.

The exchange of membership interests in Huntsman Holdings, LLC for shares of our common stock will be a tax-free transaction. Huntsman Holdings, LLC is treated as a partnership for U.S. federal income tax purposes and as such is generally not subject to U.S. income tax. The only asset held by Huntsman Holdings, LLC is 100% of the common stock of Huntsman Group Inc. ("HGI"). HGI and its subsidiaries file a U.S. federal consolidated tax return with HGI as the parent. Huntsman Holdings, LLC has historically had no taxable income or loss. Therefore, Huntsman Holdings, LLC becoming our subsidiary will have no impact on our future income taxes.

Immediately following the Reorganization Transaction and the offering, Investments Trust will hold approximately 63% of our outstanding common stock. The economic interest in the shares of our common stock held by Investments Trust will be allocated as follows: $400 million of such shares plus 50% of the remainder of such shares will be allocated to the beneficial interests in Investments Trust owned by MatlinPatterson, 45% of the remainder of such shares will be allocated to the beneficial interests in Investments Trust owned by Huntsman Family Holdings and 5% of the remainder of such shares will be unallocated. The unallocated shares will be allocated between the beneficial interests in Investments Trust owned by Huntsman Family Holdings and MatlinPatterson approximately 18 months after the completion of this offering based on the trading price of our common stock.

Jon M. Huntsman and Peter R. Huntsman will control the voting of the shares of our common stock held by Investments Trust. However, the shares of our common stock held by Investments Trust

will not be voted in favor of certain fundamental corporate actions without the consent of MatlinPatterson, through its representatives David J. Matlin or Christopher R. Pechock. In addition, Jon M. Huntsman and Peter R. Huntsman have agreed to cause all of the shares of our common stock held by Investments Trust to be voted in favor of the election to our board of directors of two nominees designated by MatlinPatterson. MatlinPatterson will have control over the disposition of the shares of our common stock held by Investments Trust that are allocated to its beneficial interest in Investments Trust. Huntsman Family Holdings will have control over the disposition of the shares of our common stock held by Investments Trust that are allocated to its beneficial interest in Investments Trust. Huntsman Family Holdings is controlled by Jon M. Huntsman.

In connection with the consummation of this offering and as part of the Reorganization Transaction, we intend to exercise our right under the HMP Warrants to require that all such warrants and any shares of HMP equity securities issued upon exercise of the HMP Warrants be exchanged for newly issued shares of our common stock. Under the terms of the HMP Warrants, an aggregate of approximately 16.9 million shares of our common stock will be issued in exchange for the outstanding HMP Warrants following the completion of the offering. The right of each holder of HMP Warrants to receive shares of our common stock is conditioned upon such holder's agreeing to a lock-up agreement relating to the sale or other disposition of our common stock for a period commencing from the date of the consummation of this offering and ending on the earlier of (1) 180 days following this offering, and (2) the first date that any other holders of our common stock are generally able to sell their shares. Following the exchange, the former holders of HMP Warrants will be entitled to certain registration rights with respect to their shares of our common stock. See "Shares Eligible for Future Sale Registration Rights."

Rights Held by Advanced Materials Minority Interestholders

SISU Capital Ltd. and its affiliates, which indirectly hold approximately 9.6% of the common equity in Advanced Materials, have certain important rights pursuant to the limited liability company agreements of Huntsman Advanced Materials Holdings LLC ("Advanced Materials Holdings") and Advanced Materials relating to the designation of managers and approval rights with respect to the taking of certain actions by Advanced Materials Holdings or Advanced Materials. SISU has the right to designate one of the managers of each of Advanced Materials Holdings and Advanced Materials. Neither Advanced Materials Holdings nor Advanced Materials may, in addition to certain other actions, effect certain redemptions of equity interests in such entities without the approval of SISU.

In addition, the limited liability company agreements of Advanced Materials Holdings and Advanced Materials require the approval of the conflict committee of the appropriate board of managers for certain actions taken by Advanced Materials Holdings or Advanced Materials. The conflict committee is composed of three managers, one of whom must be designated by SISU, and another of whom must be independent, with decisions determined by majority vote. If no independent manager exists, then the conflict committee is limited to two members, one of whom must be the SISU-designated manager, and its decisions must be unanimous. In general, the approval of the conflict committee is required for the following actions, among others, by Advanced Materials Holdings or Advanced Materials:

- issuances of certain new equity securities by Advanced Materials Holdings;
- effecting certain redemptions of equity interests;
- incurrence of new indebtedness of Advanced Materials in excess of $50 million in the aggregate, or incurrence of any new indebtedness by Advanced Materials Holdings; and
- paying dividends and distributions (for which the approval of the SISU-designated manager is always required).

USE OF PROCEEDS

The proceeds to us from the concurrent offerings of our common stock and our mandatory convertible preferred stock, after deduction of fees and expenses, will be approximately $1,450 million. We intend to use these net proceeds, together with cash on hand, as follows:

- approximately $591.3 million[(a)] to redeem in full HMP's 15% Senior Secured Discount Notes due 2008 (the "HMP Discount Notes");
- approximately $539.4 million[(b)] to redeem in full of HIH's 13.375% Senior Discount Notes due 2009 (the "HIH Senior Discount Notes");
- approximately $177.9 million[(c)] to repay $159.4 million in aggregate principal amount of HLLC's 11$^{5}/_{8}$% Senior Secured Notes due 2010 (the "HLLC Senior Secured Notes");
- approximately $41.6 million[(d)] to repay in full HLLC's subordinated note to Horizon Ventures LLC, which bears interest at a rate of 15% per year and matures in 2011 (the "HLLC Affiliate Note");
- approximately $87.0 million[(e)] to repay $78.0 million in aggregate principal amount of HLLC's 11.5% senior unsecured fixed rate Notes due 2012 (the "HLLC Senior Fixed Rate Notes");
- approximately $35.6 million to purchase U.S. treasury securities that we will pledge as collateral to support our declaration of dividends on our mandatory convertible preferred stock; and
- approximately $7.8 million to be paid to HMP warrant holders in connection with the exchange of those warrants in the Reorganization Transaction.

(a) Assumes a redemption date of February 28, 2005 and includes the payment of redemption premiums of $41.3 million. As of September 30, 2004, the carrying amount of the HMP Discount Notes was $389.5 million, which was a discount to the accreted value of $518.2 million, and the assumed redemption premium would have been $38.8 million.

(b) Assumes redemption dates of February 28, 2005 with respect to 89.5% of the notes and March 14, 2005 with respect to 10.5% of the notes and includes the payment of redemption premiums of $33.9 million. As of September 30, 2004, the carrying amount of the HIH Senior Discount Notes was $489.2 million (which includes $10.0 million of fair value adjustment), and the assumed redemption premium would have been $32.0 million.

(c) Assumes a repayment date of February 28, 2005 and includes the payment of redemption premiums.

(d) Assumes a repayment date of February 16, 2005 and includes the payment of accrued interest. As of September 30, 2004, the carrying amount of the HLLC Affiliate Note was $39.5 million.

(e) Assumes a repayment date of March 14, 2005 and includes the payment of redemption premiums.

Pending these uses, we intend to invest the net proceeds in short-term interest-bearing, investment-grade securities or money market funds.

We believe that the indebtedness that will be repaid with the net proceeds of this offering is among the highest cost to us and that the elimination of this indebtedness will result in the most meaningful reduction in our annual interest expense.

Jon M. Huntsman, our Chairman of the Board, owns all of the equity interests in Horizon Ventures LLC. See "Certain Relationships and Related Transactions."

We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholder in our common stock offering.

DIVIDEND POLICY

We do not currently anticipate paying any cash dividends on our common stock. Instead, we currently intend to retain our earnings, if any, to invest in our businesses, to repay indebtedness and to use for general corporate purposes. Subject to the terms of our mandatory convertible preferred stock, our board of directors has the authority to declare and pay dividends on the common stock, in its discretion, as long as there are funds legally available to do so. However, amounts available to pay dividends will be restricted by the terms of the credit agreements and indentures of our subsidiaries. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources."

CAPITALIZATION

The following table sets forth our cash and capitalization as of September 30, 2004:

- on an actual basis; and
- on a pro forma as adjusted basis giving effect to the HLLC Bank Refinancing, the HI Senior Subordinated Notes Transaction and the HI Term Repayment (each as defined in "Unaudited Pro Forma Financial Data"), the Reorganization Transaction and the concurrent offerings of common stock and mandatory convertible preferred stock and the use of the net proceeds as described in "Use of Proceeds."

The information set forth below is derived from unaudited financial information and should be read in conjunction with the audited consolidated financial statements included herein, "Use of Proceeds," "Selected Historical Financial Data," "Unaudited Pro Forma Financial Data" and the Consolidated Financial Statements included elsewhere in this prospectus and, in each case, the notes related thereto.

	As of September 30, 2004	
	Actual	Pro Forma As Adjusted
	(in millions)	
Cash	$ 239.1	$ 203.1(a)
Restricted investment in marketable securities		35.6
Debt:		
Secured credit facilities	$ 2,228.2	$ 2,175.0
Secured notes	799.5	640.1
Notes	2,075.2	2,014.4
Secured discount notes	389.5	
Discount notes	489.2	
Note due to affiliate	39.5	
Other debt	179.6	179.6
Total debt	6,200.7	5,009.1
Stockholders' (deficit) equity:		
Common stock (1,200,000,000 shares of common stock, par value $0.01 per share, authorized, 220,454,546 shares outstanding pro forma as adjusted(b))		2.2
Preferred stock (100,000,000 shares of preferred stock, par value $0.01 per share, authorized, 5,000,000 shares mandatory convertible preferred stock outstanding pro forma as adjusted)		250.0
Preferred member's interest	195.7	
Common member's interest		
Additional paid-in capital	734.4	2,771.7
Accumulated deficit	(1,470.0)	(1,729.7)(c)
Accumulated other comprehensive income	98.5	98.5
Total stockholders' (deficit) equity	(441.4)	1,392.7
Total capitalization	$ 5,759.3	$ 6,401.8

(a)

Reflects the use of net proceeds from the offering and cash on hand as follows:

	(in millions)
Actual cash as of September 30, 2004	$ 239.1
Proceeds from the offering	1,530.7
Fees and expenses related to the offering	(79.1)
Consent fee to HMP warrant holders	(7.8)
Repayment of HMP Discount Notes carrying value	(389.5)
Repayment of HMP Discount Notes call premium and unamortized discount	(167.5)
Repayment of HIH Senior Discount Notes carrying value	(489.2)
Repayment of HIH Senior Discount Notes call premium net of fair value adjustment	(22.0)
Repayment of HLLC Senior Secured Notes carrying value	(159.4)
Repayment of HLLC Senior Secured Notes call premium	(18.5)
Repayment of HLLC Senior Fixed Rate Notes carrying value	(78.0)
Repayment of HLLC Senior Fixed Rate Notes call premium	(9.0)
Repayment of HLLC Affiliate Note	(39.5)
Payment of accrued interest on HLLC Senior Secured Notes	(8.5)
Payment of accrued interest on HLLC Senior Fixed Rate Notes	(2.5)
Net cash used in the HI Senior Subordinated Notes Transaction and HI Bank Refinancing	(1.6)
HI Term Repayment	(59.0)
Investment in U.S. treasury securities as collateral on preferred stock dividend	(35.6)
Pro forma as adjusted cash as of September 30, 2004	$ 203.1

The foregoing is based on accreted values and accrued interest as of September 30, 2004. See "Use of Proceeds" for balances as of February 28, 2005.

(b)

Does not include 749,513 shares of restricted stock to be issued in connection with the consummation of the offering.

(c)

Includes a loss on early retirement of debt of $241.5 million, reflecting the difference between the carrying value of the debt and the redemption price and call premiums, and $18.2 million for the write-off of related deferred debt issuance costs.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price of our common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering. Our pro forma net tangible book value as of September 30, 2004 was a deficit of approximately $730.0 million, or approximately $4.43 per share. Pro forma net tangible book value per share represents the amount of tangible assets less total liabilities, divided by the 164,772,727 shares of common stock that will be outstanding upon completion of the Reorganization Transaction.

After giving effect to the sale of 60,227,274 shares in this offering at the initial public offering price of $23.00 per share and after deduction of the estimated underwriting discounts and commissions and offering expenses, our pro forma as adjusted net tangible book value as of September 30, 2004 would have been approximately $1,126.5 million, or $5.11 per share. This represents an immediate increase in pro forma net tangible book value of $9.54 per share to existing stockholders and an immediate dilution of $17.89 per share to purchasers of common stock in this offering.

Assumed initial public offering price per share		$ 23.00
Pro forma net tangible book deficit per share at September 30, 2004	$ (4.43)	
Increase per share attributable to new investors	9.54	
Pro forma, as adjusted net tangible book value per share after offering		5.11
Dilution per share to new investors		$ 17.89

The following table sets forth, on a pro forma as adjusted basis as of September 30, 2004, the total consideration paid and the effective cash price per share paid by the existing stockholders and by new investors during the past five years, before deducting estimated underwriting discounts and commissions and offering expenses payable by us at a public offering price of $23.00 per share.

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
Existing stockholders	164,772,727	75%	$ 1,739,700,000	58%	$ 10.56
New investors	55,681,819	25	1,280,681,837	42%	$ 23.00
Total	220,454,546	100%	$ 3,020,381,837	100%	$ 13.70

The foregoing computations exclude up to 10,869,565 shares of common stock reserved for issuance upon the conversion of our mandatory convertible preferred stock, 2,372,740 shares issuable upon the exercise of stock options, 749,513 shares of restricted stock to be issued in connection with this offering and 18,468,656 shares reserved for future issuance under the Huntsman Stock Incentive Plan. The stock options to be issued in connection with this offering will have an exercise price per share equal to the initial public offering price per share of common stock sold in our common stock offering and therefore will not result in dilution to new investors. If we grant stock options in the future at exercise prices less than the initial public offering price, there will be further dilution to new investors. Giving effect to the issuance of 749,513 shares of restricted stock in connection with the consummation of the offering, dilution per share to new investors would be $17.91 per share.

SELECTED HISTORICAL FINANCIAL DATA

The selected historical financial data set forth below presents the historical financial data of our predecessor Huntsman Holdings, LLC as of and for the dates and periods indicated. The selected financial data as of September 30, 2003 and for the nine months ended September 30, 2003 have been derived from the unaudited consolidated financial statements of Huntsman Holdings, LLC included elsewhere in this prospectus. The selected financial data as of December 31, 2002 and 2003 and September 30, 2004 and for the years ended December 31, 2001, 2002 and 2003 and for the nine months ended September 30, 2004 have been derived from the audited consolidated financial statements of Huntsman Holdings, LLC included elsewhere in this prospectus. The selected financial data as of December 31, 1999, 2000 and 2001 and for the years ended December 31, 1999 and 2000 have been derived from the audited consolidated financial statements of Huntsman Holdings, LLC for these periods, which are not included in this prospectus.

In such financial data, HIH is accounted for using the equity method of accounting through April 30, 2003. Effective May 1, 2003, as a result of the HIH Consolidation Transaction, we have consolidated the financial results of HIH. Effective July 1, 2003, as a result of the AdMat Transaction, we have consolidated the financial results of Advanced Materials. As a result, the financial information as of and for the year ended December 31, 2003 is not comparable to the prior years' historical financial data presented herein, and the financial information as of and for the nine months ended September 30, 2004 is not comparable to the financial information as of and for the nine months ended September 30, 2003. You should read the selected financial data in conjunction with "Unaudited Pro Forma Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Consolidated Financial Statements and accompanying notes of Huntsman Holdings, LLC included elsewhere in this prospectus.

	Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
	(in millions, except per share amounts)						
Statement of Operations Data:							
Revenues	$ 2,838.8	$ 3,325.7	$ 2,757.4	$ 2,661.0	$ 7,080.9	$ 4,711.1	$ 8,357.7
Gross profit	320.3	128.7	90.8	240.0	707.8	452.4	999.7
Restructuring, impairment and plant closing costs (credit)			588.5	(1.0)	37.9	27.2	202.4
Operating income (loss)	74.8	(78.7)	(709.4)	66.3	176.5	91.9	216.4
Loss from continuing operations	(75.6)	(138.6)	(842.8)	(191.9)	(319.8)	(214.2)	(226.5)
Loss from continuing operations per common share(a)							
Basic and diluted	$ (0.51)	$ (0.93)	$ (5.69)	$ (1.42)	$ (2.66)	$ (1.82)	$ (1.97)
Average shares outstanding							
Basic and diluted(a)	148.0	148.0	148.0	148.0	148.0	148.0	148.0
Other Data:							
Depreciation and amortization	$ 203.6	$ 200.3	$ 197.5	$ 152.7	$ 353.4	$ 230.5	$ 410.3
Capital expenditures	150.2	90.3	76.4	70.2	191.0	129.9	145.0
Ratio of earnings to fixed charges and preferred dividends(b)							
Balance Sheet Data (at period end):							
Total assets	$ 3,565.1	$ 3,543.8	$ 2,357.8	$ 2,747.2	$ 8,737.4	$ 8,430.2	$ 8,993.8
Total debt	2,136.2	2,268.6	2,450.5	1,736.1	5,910.1	6,002.7	6,200.7
Total liabilities	3,109.9	3,322.3	3,046.3	2,532.0	8,278.8	8,042.7	8,724.4

(a) All share and per share information has been restated to give effect to the shares to be issued in respect of the outstanding membership interests in Huntsman Holdings, LLC in connection with the Reorganization Transaction.

(b) For the years ended December 31, 1999, 2000, 2001, 2002 and 2003, earnings were insufficient to cover fixed charges and preferred dividends by $156.4 million, $283.3 million, $974.6 million, $148.6 million and $339.9 million, respectively. For the nine months ended September 30, 2003 and 2004, earnings were insufficient to cover fixed charges and preferred dividends by $244.0 million and $312.1 million, respectively.

UNAUDITED PRO FORMA FINANCIAL DATA

The pro forma statements of operations data for the year ended December 31, 2003 and the nine months ended September 30, 2003 and 2004 set forth below gives effect to the following transactions as if each transaction had occurred on January 1, 2003:

- our May 2003 acquisition of the HIH membership interests held by third parties in the HIH Consolidation Transaction;
- our June 2003 acquisition of an 88% equity interest in our Advanced Materials business and related financing transactions in the AdMat Transaction;
- the following debt refinancing transactions that took place in 2003 and 2004 (the "Refinancing Transactions"):
  - the issuance by our subsidiary Huntsman International LLC ("HI") in April 2003 of $150 million of its 9.875% senior unsecured notes (the "HI Senior Notes") and the application of the net proceeds therefrom;
  - the issuance by HLLC of $380 million and $75.4 million of HLLC Senior Secured Notes in September 2003 and December 2003, respectively, and the application of the net proceeds therefrom;
  - the issuance by HLLC of $400 million of senior notes in June 2004 (the "HLLC Senior Notes") and the application of the net proceeds therefrom;
  - the refinancing of the senior secured credit facilities of HI in July 2004 and the subsequent amendment to that facility in December 2004 (together, the "HI Bank Refinancing");
  - the refinancing of the senior secured credit facilities of HLLC in October 2004 (the "HLLC Bank Refinancing");
  - the issuance by HI in December 2004 of $175 million of its 7 3/8% senior subordinated notes due 2015 and €135 million of its 7 1/2% senior subordinated notes due 2015 (together, the "HI Senior Subordinated Notes"), the application of the net proceeds therefrom and the related cross-currency swap transaction entered into in connection therewith (together, the "HI Senior Subordinated Notes Transaction"); and
  - the repayment by HI in December 2004 of approximately $59 million of outstanding borrowings under its term facility (the "HI Term Repayment"); and
- other adjustments to reflect the interest expense related to our indebtedness as of September 30, 2004.

The pro forma as adjusted statements of operations data for the year ended December 31, 2003 and the nine months ended September 30, 2003 and 2004 set forth below adjusts the pro forma statements of operations data to give effect to the following transactions as if each transaction had occurred on January 1, 2003:

- the Reorganization Transaction; and
- this offering and the use of the net proceeds to us as described in "Use of Proceeds."

The pro forma balance sheet data set forth below gives effect to the HLLC Bank Refinancing, the HI Senior Subordinated Notes Transaction and the HI Term Repayment as if each transaction had occurred on September 30, 2004. The pro forma as adjusted balance sheet data set forth below adjusts the pro forma balance sheet data to give effect to the Reorganization Transaction and this offering and the use of net proceeds to us as described in "Use of Proceeds" as if each transaction had occurred on

September 30, 2004. In the Reorganization Transaction, the common and preferred interests of Huntsman Holdings, LLC and the HMP Warrants will be exchanged for shares of our common stock.

The pro forma financial data does not purport to be indicative of the combined financial position or results of operations of future periods or indicative of results that would have occurred had the above transactions been completed on the date indicated. The pro forma and other adjustments, as described in the accompanying notes to the pro forma consolidated condensed balance sheet and statements of operations, are based upon available information and certain assumptions that we believe are reasonable. The pro forma financial data set forth below should be read in conjunction with the Consolidated Financial Statements, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Selected Historical Financial Data" included elsewhere in this prospectus and, in each case, the notes related thereto.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

	Actual	Pro Forma Adjustments: HIH Consolidation Transaction(a)	Pro Forma Adjustments: AdMat Transaction(b)	Pro Forma Adjustments: Other Pro Forma Adjustments	Pro Forma	Offering and Reorganization Transaction Adjustments(c)	Pro Forma As Adjusted
				(in millions)			
Revenues	$ 4,711.1	$ 1,733.4	$ 531.8	$ (91.1)(d)	$ 6,885.2		$ 6,885.2
Cost of goods sold	4,258.7	1,551.9	412.7	(73.2)(e)	6,150.1		6,150.1
Gross profit	452.4	181.5	119.1	(17.9)	735.1		735.1
Expenses:							
Operating expenses	333.3	104.6	172.1	(42.8)(f)	567.2		567.2
Restructuring and plant closing costs	27.2	17.1			44.3		44.3
Total expenses	360.5	121.7	172.1	(42.8)(f)	611.5		611.5
Operating income	91.9	59.8	(53.0)	24.9	123.6		123.6
Interest expense, net	(260.7)	(113.2)	(36.3)	(23.3)(g)	(433.5)	$ 147.4(g)	(286.1)
Loss on accounts receivable securitization program	(11.9)	(12.0)		(0.1)	(24.0)		(24.0)
Equity in (loss) income of unconsolidated affiliates	(38.2)			39.0(h)	0.8		0.8
Other non-operating expenses	0.4	(2.2)			(1.8)		(1.8)
Loss before income taxes and minority interest	(218.5)	(67.6)	(89.3)	40.5	(334.9)	147.4	(187.5)
Income tax benefit (expense)	3.8	2.4	11.4	(15.2)(i)	2.4		2.4
Minority interest in subsidiaries' loss	0.5			5.3 (j)	5.8		5.8
Net (loss) income	$ (214.2)	$ (65.2)	$ (77.9)	$ 30.6	$ (326.7)	$ 147.4	$ (179.3)
Basic and diluted (loss) earnings per common share	$ (1.82)(k)						$ (0.81)(l)

(a) Reflects the results of operations of the HIH business for the four months ended April 30, 2003.

(b) Reflects the results of operations of our Advanced Materials business for the six months ended June 30, 2003.

(c) Amounts do not include non-recurring charges to earnings for a loss on early extinguishment of debt, the write-off of deferred debt issuance costs and the declaration of $37.5 million of dividends on the mandatory convertible preferred stock. See footnotes (i) and (o) to the Unaudited Pro Forma Condensed Balance Sheet.

(d) To eliminate intercompany sales between HLLC and HIH.

(e)	To reflect the net effect on cost of goods sold as follows (dollars in millions):	
	Eliminate intercompany cost of goods sold between HLLC and HIH	$ (80.1)
	Reflect the net adjustment to depreciation and amortization expense as a result of the HIH Consolidation Transaction. The expected useful lives of the assets range from 15 years to 20 years	6.9
		$ (73.2)

(f)	To reflect the net effect on operating expenses as follows (dollars in millions):	
	Eliminate intercompany charges between HLLC and HIH for management fees	$ (9.0)
	Eliminate the effect of the unrealized exchange gains (losses) arising from the revaluation of non-functional currency denominated debt as substantially all of such debt has been repaid in connection with the AdMat Transaction	(33.8)
		$ (42.8)

(g)

Reflects the adjustment to net interest expense resulting from the Refinancing Transactions and other adjustments to interest expense related to our indebtedness as of September 30, 2004. See " Schedule of Pro Forma and Pro Forma As Adjusted Interest Expense Adjustments" below.

(h)

To eliminate the equity in income (loss) of HIH.

(i)

To reflect the income tax expenses associated with the AdMat Transaction. No tax benefit was recorded related to the HLLC pro forma adjustments as HLLC has a full valuation allowance on its net deferred tax assets. No tax benefit was recorded related to the HIH pro forma adjustments as the adjustments relate to income or expense in the U.S. and the U.S. income tax consequences of HIH are recorded in the consolidated tax returns of HLLC.

(j)

To record the minority interest in Advanced Materials.

(k)

Per share information is calculated using 148.0 million actual shares outstanding, which gives effect to the shares of common stock to be issued in respect of the outstanding membership interests in Huntsman Holdings, LLC in connection with the Reorganization Transaction.

(l)

Per share information is calculated using 220.5 million shares outstanding, which gives effect to the shares to be issued in connection with the Reorganization Transaction and the shares to be issued in connection with this offering.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

	Actual	Pro Forma Adjustments	Pro Forma	Offering and Reorganization Transaction Adjustments(c)	Pro Forma As Adjusted
			(in millions)		
Revenues	$ 8,357.7		$ 8,357.7		$ 8,357.7
Cost of goods sold	7,358.0		7,358.0		7,358.0
Gross profit	999.7		999.7		999.7
Expenses:					
Operating expenses	580.9		580.9		580.9
Restructuring and plant closing costs	202.4		202.4		202.4
Total expenses	783.3		783.3		783.3
Operating income	216.4		216.4		216.4
Interest expense, net	(459.5)	$ 19.7(a)	(439.8)	$ 147.5(a)	(292.3)
Loss on accounts receivable securitization program	(10.2)		(10.2)		(10.2)
Equity in income of unconsolidated affiliates	3.0		3.0		3.0
Other non-operating expenses	(0.8)		(0.8)		(0.8)
Loss before income taxes and minority interest	(251.1)	19.7	(231.4)	147.5	(83.9)
Income tax benefit	25.7	(b)	25.7		25.7
Minority interest in subsidiaries' income	(1.1)		(1.1)		(1.1)
Net (loss) income	$ (226.5)	$ 19.7	$ (206.8)	$ 147.5	$ (59.3)
Basic and diluted (loss) earnings per common share	$ (1.97)(d)				$ (0.27)(e)

(a) Reflects the adjustment to net interest expense resulting from the Refinancing Transactions and other adjustments to interest expense related to our indebtedness as of September 30, 2004. See " Schedule of Pro Forma and Pro Forma As Adjusted Interest Expense Adjustments" below.

(b) No adjustments were made to income tax expense as we have a full valuation allowance on our net deferred tax assets.

(c) Amounts do not include non-recurring charges to earnings for a loss on early extinguishment of debt, the write-off of deferred debt issuance costs and the declaration of $37.5 million of dividends on the mandatory convertible preferred stock. See footnotes (i) and (o) to the Unaudited Pro Forma Condensed Balance Sheet.

(d) Per share information is calculated using 148.0 million shares outstanding, which gives effect to the shares of common stock to be issued in respect of the outstanding membership interests in Huntsman Holdings, LLC in connection with the Reorganization Transaction.

(e) Per share information is calculated using 220.5 million shares outstanding, which gives effect to the shares to be issued in connection with the Reorganization Transaction and the shares to be issued in connection with this offering.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Actual	Pro Forma Adjustments: HIH Consolidation Transaction(a)	Pro Forma Adjustments: AdMat Transaction(b)	Pro Forma Adjustments: Other Pro Forma Adjustments	Pro Forma	Offering and Reorganization Transaction Adjustments(c)	Pro Forma As Adjusted
				(in millions)			
Revenues	$ 7,080.9	$ 1,733.4	$ 531.8	$ (93.7)(d)	$ 9,252.4		$ 9,252.4
Cost of goods sold	6,373.1	1,551.9	412.7	(82.6)(e)	8,255.1		8,255.1
Gross profit	707.8	181.5	119.1	(11.1)	997.3		997.3
Expenses:							
Operating expenses	493.4	104.6	172.1	(37.9)(f)	732.2		732.2
Restructuring and plant closing costs	37.9	17.1			55.0		55.0
Total expenses	531.3	121.7	172.1	(37.9)(f)	787.2		787.2
Operating income	176.5	59.8	(53.0)	26.8	210.1		210.1
Interest expense, net	(428.3)	(113.2)	(36.3)	(0.9)(g)	(578.7)	$ 196.7(g)	(382.0)
Interest income affiliate	19.2			(19.2)(h)			
Loss on accounts receivable securitization program	(20.4)	(12.0)			(32.4)		(32.4)
Equity in (loss) income of unconsolidated affiliates	(37.5)			39.0(i)	1.5		1.5
Other non-operating expenses		(2.2)			(2.2)		(2.2)
Loss before income taxes and minority interest	(290.5)	(67.6)	(89.3)	45.7	(401.7)	196.7	(205.0)
Income tax expense	(30.8)	2.4	11.4	(15.1)(j)	(32.1)		(32.1)
Minority interest in subsidiaries' loss	1.5			5.3(k)	6.8		6.8
Net (loss) income	$ (319.8)	$ (65.2)	$ (77.9)	$ 35.9	$ (427.0)	$ 196.7	$ (230.3)
Basic and diluted (loss) earnings per common share	$ (2.66)(l)						$ (1.04)(m)

(a) Reflects the results of operations of the HIH business for the four months ended April 30, 2003.

(b)

Reflects the results of operations of our Advanced Materials business for the six months ended June 30, 2003.

(c)

Amounts do not include non-recurring charges to earnings for a loss on early extinguishment of debt, the write-off of deferred debt issuance costs and the declaration of $37.5 million of dividends on the mandatory convertible preferred stock. See footnotes (i) and (o) to the Unaudited Pro Forma Condensed Balance Sheet.

(d)

To eliminate intercompany sales between HLLC and HIH.

(e)

To reflect the net effect on cost of goods sold as follows (dollars on millions):

Eliminate intercompany cost of goods sold between HLLC and HIH	$	(89.5)
Reflect the net adjustment to depreciation and amortization expense as a result of the HIH Consolidation Transaction. The expected useful lives of the assets range from 15 years to 20 years		6.9
	$	(82.6)

(f)

To reflect the net effect on operating expenses as follows (dollars in millions):

Eliminate intercompany charges between HLLC and HIH for management fees	$	(4.1)
Eliminate the effect of the unrealized exchange gains (losses) arising from the revaluation of non-functional currency denominated debt as substantially all of such debt has been repaid in connection with the AdMat Transaction		(33.8)
	$	(37.9)

(g)

Reflects the adjustment to net interest expense resulting from the Refinancing Transactions and other adjustments to interest expense related to our indebtedness as of September 30, 2004. See " Schedule of Pro Forma and Pro Forma As Adjusted Interest Expense Adjustments" below.

(h)

To eliminate interest income of HMP on the HIH senior subordinated discount notes (the "HIH Senior Subordinated Discount Notes"), which will be canceled in the Reorganization Transaction.

(i)

To eliminate the equity in income (loss) of HIH.

(j)

To reflect the income tax expenses associated with the AdMat Transaction. No tax benefit was recorded related to the HLLC pro forma adjustments as HLLC has a full valuation allowance on its net deferred tax assets. No tax benefit was recorded related to the HIH pro forma adjustments as the adjustments relate to income or expense in the U.S. and the U.S. income tax consequences of HIH are recorded in the consolidated tax returns of HLLC.

(k)

To record the minority interest in Advanced Materials.

(l)

Per share information is calculated using 148.0 million shares outstanding, which gives effect to the shares of common stock to be issued in respect of the outstanding membership interests in Huntsman Holdings, LLC in connection with the Reorganization Transaction.

(m)

Per share information is calculated using 220.5 million shares outstanding, which gives effect to the shares to be issued in connection with the Reorganization Transaction and the shares to be issued in connection with this offering.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2004

	Actual	Pro Forma Adjustments	Pro Forma	Offering and Reorganization Transaction Adjustments	Pro Forma As Adjusted
			(in millions)		
Assets					
Cash and equivalents	$ 239.1	$ (60.6)(a)	$ 178.5	$ 24.6 (e)	$ 203.1
Restricted investment in marketable securities				35.6 (f)	35.6
Accounts and notes receivable	1,403.3		1,403.3		1,403.3
Inventories	1,132.6		1,132.6		1,132.6
Prepaid expense	70.6		70.6		70.6
Deferred income taxes	20.6		20.6		20.6
Other current assets	69.5		69.5		69.5
Current assets	2,935.7	(60.6)(a)	2,875.1	60.2	2,935.3
Property, plant and equipment, net	5,014.8		5,014.8		5,014.8
Investment in unconsolidated affiliates	167.5		167.5		167.5
Intangible assets, net	264.8		264.8		264.8
Goodwill	3.3		3.3		3.3
Deferred income taxes	21.3		21.3		21.3
Other noncurrent assets	586.4	4.1(b)	590.5	(14.4)(g)	576.1
Total assets	$ 8,993.8	$ (56.5)	$ 8,937.3	$ 45.8	$ 8,983.1
Liabilities and stockholders' equity					
Accounts payable	$ 919.7	$	$ 919.7	$	$ 919.7
Accrued liabilities	689.8		689.8	1.5(h)	691.3
Deferred income taxes	18.9		18.9		18.9
Current portion of long-term debt	54.8		54.8		54.8
Current liabilities	1,683.2		1,683.2	1.5	1,684.7
Long-term debt	6,106.4	(36.0)(c)	6,070.4	(1,116.1)(i)	4,954.3
Long-term debt affiliates	39.5		39.5	(39.5)(i)	
Deferred income taxes	242.1		242.1		242.1
Other noncurrent liabilities	653.2		653.2	25.0(j)	678.2
Total liabilities	8,724.4	(36.0)	8,688.4	(1,129.1)	7,559.3
Minority interest in common stock of consolidated subsidiaries	29.2		29.2		29.2
Minority interest in warrants of consolidated subsidiary	128.7		128.7	(128.7)(k)	
Redeemable preferred members' interest	552.9		552.9	(552.9)(l)	
Total minority interests	710.8		710.8	(681.6)	29.2
Stockholders' equity					
Preferred members' interest	195.7		195.7	(195.7)(m)	
Common members' interest					
Class A units, 10,000,000 issued and outstanding, no par value					
Class B units, 10,000,000 issued and outstanding, no par value					
Common stock (1,200,000,000 shares of common stock, par value $0.01 per share, authorized, 220,454,546 shares outstanding, pro forma as adjusted)				2.2 (n)	2.2
Preferred stock (100,000,000 shares of preferred stock, par value $0.01 per share, authorized, 5,000,000 shares				250.0 (n)	250.0

	Actual	Pro Forma Adjustments	Pro Forma	Offering and Reorganization Transaction Adjustments	Pro Forma As Adjusted
mandatory convertible preferred stock outstanding, pro forma as adjusted)					
Additional paid-in capital	734.4		734.4	1,161.9 (n)	2,773.6
Accumulated deficit	(1,470.0)	(20.5)(d)	(1,490.5)	(239.2)(o)	(1,729.7)
Accumulated other comprehensive income	98.5		98.5		98.5
Total stockholders' (deficit) equity	(441.4)	(20.5)	(461.9)	1,174.9	1,394.6
Total liabilities and stockholders' equity	$ 8,993.8	$ (56.5)	$ 8,937.3	$ 45.8	$ 8,983.1

(a)

To reflect the net use of cash as follows:

HI Bank Refinancing	$ (1.1)
Net cash used in the HI Senior Subordinated Notes Transaction	(0.5)
HI Term Repayment	(59.0)
Net use of cash	$ (60.6)

(b)

To reflect the increase in deferred debt issuance costs, net of amounts written off, as a result of the following:

HI Bank Refinancing	$ 1.1
HI Senior Subordinated Notes Transaction	1.0
HLLC Bank Refinancing	2.0
Net increase in deferred debt issuance costs	$ 4.1

(c)

To reflect the net change in debt from the following:

Proceeds from the HI Senior Subordinated Notes Transaction	$ 348.1
Repayment of debt in connection with the HI Senior Subordinated Notes Transaction	(330.9)
HLLC Bank Refinancing	5.8
HI Term Repayment	(59.0)
Net change in debt	$ (36.0)

(d)

To reflect a loss on early retirement of debt for the write-off of deferred debt issuance costs in connection with the HLLC Bank Refinancing and HI Senior Subordinated Notes Transaction.

(e)

To reflect the net cash provided in connection with this offering after giving effect to the repayment of debt as described in "Use of Proceeds."

(f)

To reflect the investment in U.S. treasury securities that we will pledge as collateral to support our obligation to pay dividends on our mandatory convertible preferred stock to be issued in the concurrent offering of mandatory convertible preferred stock.

(g)

To reflect the write-off of deferred debt issuance costs related to the debt repaid with the net proceeds from this offering.

(h)

To reflect the net increase in accrued liabilities from the following:

Payment of accrued interest on the HLLC Senior Secured Notes	$ (8.5)
Payment of accrued interest on HLLC Senior Fixed Rate Notes	(2.5)
Current portion of accrued dividends payable on our mandatory convertible preferred stock	12.5
	$ 1.5

(i)

To reflect the net repayment of debt with the net proceeds from this offering.

(j)

To reflect the noncurrent portion of accrued dividends payable on our mandatory convertible preferred stock.

(k)

To reflect the exchange of HMP Warrants for common stock.

(l)

To reflect the exchange of redeemable preferred members' interest for common stock.

(m)

To reflect the exchange of preferred members' interest for common stock.

(n)

To reflect the issuance of common stock and mandatory convertible preferred stock in this offering, net of related fees and expenses, and the issuance of common stock in the Reorganization Transaction.

(o)

Includes a loss on early retirement of debt of $224.8 million, reflecting the difference between the carrying value of the debt and the redemption price and call premiums, and $14.4 million for the write-off of deferred debt issuance costs. Due to the non-recurring nature of these adjustments, they have not been reflected in the pro forma statements of operations.

Schedule of Pro Forma and Pro Forma As Adjusted Interest Expense Adjustments

The following schedule sets forth the interest expense adjustments to the pro forma and pro forma as adjusted financial statements set forth above. For a discussion of the debt obligations shown below, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Debt and Liquidity."

	Pro Forma Balance as of September 30, 2004(1)	Interest Expense(2)		
		Year Ended December 31, 2003	Nine Months Ended September 30,	
			2003	2004
		(in millions)		
Average LIBOR for period		1.209%	1.235%	1.287%
Average dollar/euro exchange rate for period		1.1329	1.1128	1.2259
Pro forma interest expense adjustments:				
Secured credit facilities:				
HLLC Revolving Facility (LIBOR plus 2.25%, unused fee of 0.50%)	$ 98.2	$ 4.6	$ 3.5	$ 3.5
HI Revolving Facility (LIBOR plus 3.25%, unused fee of 0.75%)		2.8	2.1	2.1
AdMat Revolving Credit Facility (LIBOR plus 3.00%, unused fee of 1.00%)		0.6	0.5	0.5
HLLC Term Facility (LIBOR plus 3.50%)	715.0	33.7	25.4	25.7
HI Term Facility (LIBOR plus 2.53% effective rate)	1,307.6	48.9	37.0	37.6
HCA Facilities (90 Day Bank Bill Swap Rate plus 2.90%)	41.9	2.9	2.2	2.6
New HCCA Facility (90 Day Bank Bill Swap Rate plus 2.90%)	12.3	0.8	0.6	0.8
Secured notes:				
HLLC Senior Secured Notes (11.875% effective rate)	451.0	53.6	40.2	40.2
AdMat Fixed Rate Notes (11.00%)	250.0	27.5	20.6	20.6
AdMat Floating Rate Notes (LIBOR plus 8.00%, 8.50% effective rate)	98.5	10.4	7.8	7.8
Notes:				
HLLC Senior Fixed Rate Notes (11.50%)	300.0	34.5	25.9	25.9
HLLC Senior Floating Rate Notes (LIBOR plus 7.25%)	100.0	8.5	6.4	6.4
HI Senior Notes (9.478% effective rate)	456.3	43.2	32.4	32.4
HI Senior Subordinated Notes (9.24%)	541.0	50.0	37.5	37.5
HI Senior Subordinated Notes (€507, 9.21% effective rate)	635.7	52.9	38.9	42.8
HLLC Subordinated Fixed Rate Notes (9.50%)	44.2	4.2	3.1	3.1
HLLC Subordinated Floating Rate Notes (LIBOR plus 3.25%)	15.1	0.7	0.5	0.5
Secured discount notes:				
HMP Discount Notes (23.658% effective rate)(3)	389.5	92.1	69.1	69.1
Discount notes:				
HIH Senior Discount Notes (13.375%)(3)	479.2	64.1	48.1	48.1
Note due to affiliate:				
HLLC Affiliate Note (15.00%)(3)	39.5	5.9	4.4	4.4
Other debt:				
Huntsman Specialty Chemicals Corporation Subordinated Note (9.298% effective rate)	100.8	9.4	7.0	7.0
Other debt (4.98% effective rate)	78.8	3.9	2.9	2.9
Other items:				
Amortization of debt issuance costs		23.7	17.8	17.8
		2.5	1.8	1.8

	Interest Expense(2)		
Interest rate hedging arrangements (notional amount of $184.3; pay 4.44% weighted average fixed rate, receive LIBOR)			
Cross currency swap (pay €132 at 6.63%, receive $175 at 7.375%)	(2.7)	(2.2)	(1.4)
Total pro forma interest expense	$ 578.7	$ 433.5	$ 439.7
Less historical interest expense(4)	(577.8)	(410.2)	(459.5)
Net pro forma interest expense adjustment	$ 0.9	$ 23.3	$ (19.8)

Pro forma as adjusted interest expense adjustments:				
Adjustment of HLLC Term Facility (0.50% interest rate reduction as a result of this offering)	$ 715.0	$ (3.6)	$ (2.7)	$ (2.7)
Repayment of HMP Discount Notes (23.658% effective rate)	389.5	(92.1)	(69.1)	(69.1)
Repayment of HIH Senior Discount Notes (13.375%)	479.2	(64.1)	(48.1)	(48.1)
Partial repayment of HLLC Senior Secured Notes (11.875% effective rate)	159.4	(18.9)	(14.2)	(14.2)
Repayment of HLLC Affiliate Note (15.00%)	39.5	(5.9)	(4.4)	(4.4)
Partial repayment of HLLC Senior Fixed Rate Notes (11.50%)	78.0	(9.0)	(6.7)	(6.7)
Adjustment to amortization of debt issuance costs		(3.1)	(2.2)	(2.2)
Net pro forma as adjusted interest expense adjustment		$ (196.7)	$ (147.4)	$ (147.4)
Total pro forma as adjusted interest expense		$ 382.0	$ 286.1	$ 292.3

(1) Gives effect to the HLLC Bank Refinancing.

(2) The aggregate effect on annual interest expense of a variance of 1/8 percent in our variable rate indebtedness is $3.1 million.

(3) Interest expense for the discount and PIK notes has been calculated on carrying amounts as of September 30, 2004. Respective carrying amounts for each period end were as follows:

	As of December 31, 2003	As of September 30, 2003	As of September 30, 2004
	(in millions)		
HLLC Affiliate Note	$ 35.5	$ 34.3	$ 39.5
HMP Discount Notes	329.4	311.5	389.5
HIH Senior Discount Notes	434.6	421.0	479.2

(4) As adjusted for the HIH Consolidation Transaction and the AdMat Transaction.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the historical financial statements and other financial information appearing elsewhere in the prospectus, including "Prospectus Summary Summary Historical and Pro Forma As Adjusted Financial Data," "Capitalization," "Selected Historical Financial Data" and "Unaudited Pro Forma Financial Data."

Overview

We are among the world's largest global manufacturers of differentiated and commodity chemical products. We manufacture a broad range of chemical products and formulations, which we market in more than 100 countries to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, durable and non-durable consumer products, electronics, medical, packaging, paints and coatings, power generation, refining and synthetic fiber industries. We are a leading global producer in many of our key product lines, including MDI, amines, surfactants, epoxy-based polymer formulations, maleic anhydride and titanium dioxide. We operate 63 manufacturing facilities located in 22 countries and employ over 11,500 associates. Our businesses benefit from significant vertical integration, large production scale and proprietary manufacturing technologies, which allow us to maintain a low-cost position. We had pro forma revenues for the nine months ended September 30, 2004 and the year ended December 31, 2003 of $8,357.7 million and $9,252.4 million, respectively.

Our business is organized around our six segments: Polyurethanes, Advanced Materials, Performance Products, Pigments, Polymers and Base Chemicals. These segments can be divided into two broad categories: differentiated and commodity. Our Polyurethanes, Advanced Materials and Performance Products segments produce differentiated products, and our Pigments, Polymers and Base Chemicals segments produce commodity chemicals. Among our commodity products, our Pigments business, while cyclical, is influenced largely by seasonal demand patterns in the coatings industry. Certain products in our Polymers segment also follow different trends than petrochemical commodities as a result of our niche marketing strategy for such products that focuses on supplying customized formulations. Nevertheless, each of our six operating segments is impacted to some degree by economic conditions, prices of raw materials and global supply and demand pressures.

Growth in our Polyurethanes and Advanced Materials segments has been driven by the continued substitution of our products for other materials across a broad range of applications as well as the level of global economic activity. Historically, demand for many of these products has grown at rates in excess of GDP growth. In Polyurethanes, this growth, particularly in Asia, has recently resulted in improved demand and higher industry capacity utilization rates for many of our key products, including MDI. In 2004, the profitability of our Polyurethanes and Advanced Materials segments improved due to increased demand in several of our key industrial end markets, including aerospace, automotive and construction products. This allowed us to increase selling prices, which more than offset increases in the cost of our primary raw materials, including benzene, propylene and chlorine.

The global PO market is influenced by supply and demand imbalances. PO demand is largely driven by growth in the polyurethane industry, and, as a result, growth rates for PO have generally exceeded GDP growth rates. As a co-product of our PO manufacturing process, we also produce MTBE. MTBE is an oxygenate that is blended with gasoline to reduce harmful vehicle emissions and to enhance the octane rating of gasoline. See " Business Environmental, Health and Safety Matters MTBE Developments" below for more information on the legal and regulatory developments that may curtail or eliminate the use of MTBE in gasoline in the U.S.

In our Performance Products segment, demand for our performance specialties has generally continued to grow at rates in excess of GDP as overall demand is significantly influenced by new

product and application development. In 2004, overall demand for most of our performance intermediates was generally stable or improved, but excess surfactant manufacturing capacity in Europe and a decline in the use of LAB in new detergent formulations limited our ability to increase prices in response to higher raw material costs. In EG, higher industry capacity utilization rates in 2004 due to stronger demand in the PET resin and Asian fiber markets resulted in higher profitability.

Historically, demand for titanium dioxide pigments has grown at rates approximately equal to global GDP growth. Pigment prices have historically reflected industry-wide operating rates but have typically lagged behind movements in these rates by up to twelve months due to the effects of product stocking and destocking by customers and producers, contract arrangements and seasonality. The industry experiences some seasonality in its sales because sales of paints, the largest end use for titanium dioxide, generally peak during the spring and summer months in the northern hemisphere. This results in greater sales volumes in the second and third quarters of the year.

The profitability of our Polymers and Base Chemicals segments has historically been cyclical in nature. The industry has recently operated in a down cycle that resulted from significant new capacity additions, weak demand reflecting soft global economic conditions and high crude oil and natural gas-based raw material costs. Despite continued high feedstock costs, the profitability of our Base Chemicals segment improved in 2004 as demand strengthened and average selling prices and profit margins increased in most of our product lines. According to Nexant, industry fundamentals currently point to a continued cyclical recovery in the olefins and aromatics industries. Limited new capacity additions have been announced for these products in North America and Western Europe over the next several years. Consequently, Nexant currently expects operating rates and profit margins in the polymers and base chemicals markets to increase as demand continues to recover as a result of improved global economic conditions.

Pro Forma Results of Operations

The businesses of our predecessor Huntsman Holdings, LLC underwent significant changes as a result of a number of transactions that were completed in 2003. As a result, the financial information as of and for the nine months ended September 30, 2004 is not comparable to the financial information as of and for the nine months ended September 30, 2003. In order to present data that is useful for comparative purposes, we have included pro forma information for the nine month periods ended September 30, 2003 and 2004. The pro forma information for the nine months ended September 30, 2003 has been prepared as if the HIH Consolidation Transaction, the AdMat Transaction and the Refinancing Transactions occurred on January 1, 2003. HIH became a consolidated subsidiary effective as of May 1, 2003, and Advanced Materials became a consolidated subsidiary effective as of June 30, 2003. The Refinancing Transactions occurred between April 2003 and December 2004. The pro forma information for the nine months ended September 30, 2004 has been prepared as if the Refinancing Transaction that occurred in 2004 occurred on January 1, 2004. We believe the use of pro forma results for the periods covered in this report provides a more meaningful comparison of our results between the applicable periods. These results do not necessarily reflect the results that would have been obtained if we had completed the transactions described above on the dates indicated or that may be

expected in the future. See "Unaudited Pro Forma Financial Data." For a period to period comparison of our historical results of operations, see " Historical Results of Operations."

	Pro Forma	
	Nine Months Ended September 30,	
	2003	2004
	(in millions)	
Revenues	$ 6,885.2	$ 8,357.7
Cost of goods sold	6,150.1	7,358.0
Gross profit	735.1	999.7
Operating expense	567.2	580.9
Restructuring, impairment and plant closing costs	44.3	202.4
Operating income	123.6	216.4
Interest expense, net	(433.5)	(439.8)
Loss on accounts receivable securitization program	(24.0)	(10.2)
Equity in income of unconsolidated affiliates	0.8	3.0
Other non-operating expense	(1.8)	(0.8)
Loss before income taxes and minority interest	(334.9)	(231.4)
Income tax benefit (expense)	2.4	25.7
Minority interests in subsidiaries' loss (income)	5.8	(1.1)
Cumulative effect of accounting change		
Net loss	$ (326.7)	$ (206.8)
Interest expense, net	433.5	439.8
Income tax (benefit) expense	(2.4)	(25.7)
Depreciation and amortization	358.9	410.3
EBITDA(1)	$ 463.3	$ 617.6

(1) EBITDA is defined as net income (loss) before interest, income taxes, depreciation and amortization. We believe that EBITDA enhances an investor's understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our indebtedness. However, EBITDA should not be considered in isolation or viewed as a substitute for net income, cash flow from operations or other measures of performance as defined by GAAP. Moreover, EBITDA as used herein is not necessarily comparable to other similarly titled measures of other companies due to potential inconsistencies in the method of calculation. Our management uses EBITDA to assess financial performance and debt service capabilities. In assessing financial performance, our management reviews EBITDA as a general indicator of economic performance compared to prior periods. Because EBITDA excludes interest, income taxes, depreciation and amortization, EBITDA provides an indicator of general economic performance that is not affected by debt restructurings, fluctuations in interest rates or effective tax rates, or levels of depreciation and amortization. Accordingly, our management believes this type of measurement is useful for comparing general operating performance from period to period and making certain related management decisions. EBITDA is also used by securities analysts, lenders and others in their evaluation of different companies because it excludes certain items that can vary widely across different industries or among companies within the same industry. For example, interest expense can be highly dependent on a company's capital structure, debt levels and credit ratings. Therefore, the impact of interest expense on earnings can vary significantly among companies. In addition, the tax positions of companies can vary because of their differing abilities to take advantage of tax benefits and because of the tax

policies of the various jurisdictions in which they operate. As a

result, effective tax rates and tax expense can vary considerably among companies. Finally, companies employ productive assets of different ages and utilize different methods of acquiring and depreciating such assets. This can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies. Our management also believes that our investors use EBITDA as a measure of our ability to service indebtedness as well as to fund capital expenditures and working capital requirements. Nevertheless, our management recognizes that there are material limitations associated with the use of EBITDA in the evaluation of our company as compared to net income, which reflects overall financial performance, including the effects of interest, income taxes, depreciation and amortization. EBITDA excludes interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate revenue. Therefore, any measure that excludes interest expense has material limitations. EBITDA also excludes taxes. Because the payment of taxes is a necessary element of our operations, any measure that excludes tax expense has material limitations. Finally, EBITDA excludes depreciation and amortization expense. Because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate revenue. Therefore, any measure that excludes depreciation and amortization expense has material limitations. Our management compensates for the limitations of using EBITDA by using it to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Our management also uses other metrics to evaluate capital structure, tax planning and capital investment decisions. For example, our management uses credit ratings and net debt ratios to evaluate capital structure, effective tax rate by jurisdiction to evaluate tax planning, and payback period and internal rate of return to evaluate capital investments. Our management also uses trade working capital to evaluate its investment in receivables and inventory, net of payables.

We believe that net income (loss) is the performance measure calculated and presented in accordance with GAAP that is most directly comparable to EBITDA. We reconcile our net loss to EBITDA in the table above.

We believe that cash provided by (used in) operating activities is the liquidity measure calculated and presented in accordance with GAAP that is most directly comparable to EBITDA. For a reconciliation of historical EBITDA to our historical cash provided by (used in) operations, see " Historical Results of Operations" below.

Included in EBITDA are the following unusual items of (expense) income:

	Pro Forma	
	Nine Months Ended September 30,	
	2003	2004
	(in millions)	
Early extinguishment of debt	$	$ (1.9)
Legal and contract settlement income (expense), net	(5.5)	(6.1)
Gain (loss) on accounts receivable securitization program	(24.0)	(10.2)
Asset write down	(5.8)	
Reorganization costs	(27.5)	
Cumulative effect of accounting change		
Restructuring, impairment and plant closing (expense) income:		
Polyurethanes	$ (22.2)	$ (32.8)
Advanced Materials		
Performance Products	(20.1)	(41.2)
Pigments	(1.1)	(111.7)
Polymers	(0.9)	(7.6)
Base Chemicals		(9.1)
Corporate and other		
Total	$ (44.3)	$ (202.4)

Nine months ended September 30, 2004 (Pro Forma) compared to nine months ended September 30, 2003 (Pro Forma)

For the nine months ended September 30, 2004, we had a net loss of $206.8 million on revenues of $8,357.7 million compared to a net loss of $326.7 million on revenues of $6,885.2 million for the same period in 2003. The decrease of $119.9 million in net loss was the result of the following items:

Revenues for the nine months ended September 30, 2004 increased by $1,472.5 million, or 21%, from the same period in 2003 due to higher average selling prices in all of our operating segments and higher sales volumes in our Polyurethanes, Advanced Materials, Pigments, Polymers and Base Chemicals segments. For details of our changes in selling prices and sales volumes from the prior period, see the discussion by operating segment below.

Gross profit for the nine months ended September 30, 2004 increased by $264.6 million, or 36%, from the same period in 2003. This increase, which occurred in all our segments except Performance Products, was mainly due to higher contribution margins as average selling prices increased more than raw material and energy costs in the 2004 period as compared to the same period in 2003.

Operating expenses for the nine months ended September 30, 2004 increased by $13.7 million, or 2%, from the same period in 2003. This increase was due in part to a $53.8 million decrease in unallocated foreign exchange gains in the 2004 period. We also incurred reorganization costs of $27.5 million in the nine months ended September 30, 2003 related to a number of cost reduction programs by the predecessor company of Advanced Materials. The remaining decrease of $12.6 million in operating expenses was due primarily to cost savings resulting from our ongoing restructuring efforts.

Restructuring and plant closing costs for the nine months ended September 30, 2004 increased by $158.1 million to $202.4 million from $44.3 million in the same period in 2003. For further discussion of restructuring activities, see " Restructuring and Plant Closing Costs" below.

Net interest expense for the nine months ended September 30, 2004 increased by $6.3 million, or 1%, from the same period in 2003. See "Unaudited Pro Forma Financial Data Schedule of Pro Forma and Pro Forma As Adjusted Interest Expense Adjustments."

In the nine months ended September 30, 2004, losses on our accounts receivable securitization program decreased $13.8 million, or 58%, when compared with the same period in 2003. This decrease is mainly attributable to reduced losses on foreign currency hedge contracts in the 2004 period as compared to the 2003 period, primarily in response to an amendment to our accounts receivable securitization program that permits euro-denominated debt, thereby reducing the need for foreign currency hedge contracts.

Income tax benefit increased by $23.3 million to $25.7 million for the nine months ended September 30, 2004 as compared to $2.4 million for the same period in 2003. Our tax obligations are affected by the mix of income and losses in the tax jurisdictions in which we operate. Increased tax benefit was largely due to changes in pre-tax income. Substantially all non-U.S. operations of our Advanced Materials subsidiary are treated as branches for U.S. income tax purposes and are, therefore, subject to both U.S. and non-U.S. income tax. The U.S. tax implications of income from Advanced Materials operations are offset by other U.S. losses, which results in no U.S. tax expense or benefit, net of valuation allowances. Application of the statutory rate would result in a non-U.S. tax expense of approximately $17 million on $50.0 million of Advanced Materials pre-tax income. An additional $15.3 million of tax expense was primarily the result of our recognizing losses in jurisdictions where little or no tax benefit was provided. In addition, we recognized a $55.0 million benefit attributable to non-Advanced Materials foreign operations. In particular, during the nine months ended September 30, 2004 we recognized non-recurring benefits in Spain, France and Holland of approximately $27 million associated with enacted changes in tax rates, the settlement of tax authority examinations and the reversal of previously established valuation allowances. In addition, we recognized approximately $24 million of benefit from losses in jurisdictions not subject to valuation allowances as well as treaty negotiated reductions in statutory rates.

The following table sets forth the revenues and EBITDA for each of our operating segments:

	Pro Forma		
	Nine Months Ended September 30,		
	2003	2004	% Change
	(in millions)		
Revenues			
Polyurethanes	$ 1,718.1	$ 2,117.4	23%
Advanced Materials	790.5	866.4	10%
Performance Products	1,266.3	1,399.7	11%
Pigments	752.5	794.7	6%
Polymers	847.7	1,019.6	20%
Base Chemicals	1,954.2	2,755.8	41%
Eliminations	(444.1)	(595.9)	34%
Total	$ 6,885.2	$ 8,357.7	21%
Segment EBITDA			
Polyurethanes	$ 157.1	$ 270.7	72%
Advanced Materials	(4.7)	121.3	NM
Performance Products	90.3	82.9	(8)%
Pigments	88.3	(53.6)	NM
Polymers	53.4	45.6	(15)%
Base Chemicals	55.8	204.8	267%
Corporate and other	23.1	(54.1)	NM
Total	$ 463.3	$ 617.6	33%

NM Not meaningful

Polyurethanes

For the nine months ended September 30, 2004, Polyurethanes revenues increased by $399.3 million, or 23%, from the same period in 2003, primarily from higher average selling prices and higher sales volumes for MDI. MDI revenues increased by 30%, resulting from 16% higher sales volumes and 12% higher average selling prices. The increase in MDI average selling prices resulted principally from improved market demand coupled with tighter supply, stronger major European currencies versus the U.S. dollar and in response to higher raw material and energy costs. Higher MDI volumes reflect further extension of markets for MDI and recent improvements in global economic conditions.

For the nine months ended September 30, 2004, Polyurethanes segment EBITDA increased by $113.6 million, or 72%, from the same period in 2003. Excluding restructuring charges, increased segment EBITDA of $124.2 million resulted mainly from higher contribution margins as average selling prices increased more than raw material and energy costs. For the nine months ended September 30, 2003 and 2004, restructuring charges of $22.2 million and $32.8 million, respectively, were included in segment EBITDA.

Advanced Materials

On a pro forma basis, Advanced Materials revenues for the nine months ended September 30, 2004 increased by $75.9 million, or 10%, from the same period in 2003. Higher revenues were attributable to a 10% increase in average selling prices, with stable sales volumes. Average selling prices were higher due to price increase initiatives in certain markets in response to improved demand, higher raw material costs and the effect of the strength of the major European currencies versus the U.S. dollar.

For the nine months ended September 30, 2004, Advanced Materials segment EBITDA increased by $126.0 million to $121.3 million from a loss of $4.7 million for the same period in 2003. The 2003 period includes reorganization costs of $27.5 million and foreign currency losses of $33.8 million related to the debt structure of Advanced Materials' predecessor. The remaining $64.7 million increase in segment EBITDA was primarily due to higher contribution margins as average selling prices increased more than raw material costs.

Performance Products

For the nine months ended September 30, 2004, Performance Products revenues increased by $133.4 million, or 11%, from the same period in 2003 primarily as a result of higher average selling prices for all products, offset somewhat by lower sales volumes in certain product lines. Overall, average selling prices increased by 14% in response to higher raw material and energy costs, improved market conditions and the strength of European and Australian currencies versus the U.S. dollar. The 3% decrease in sales volumes resulted principally from lower amine and surfactants sales. The reduction in surfactants sales volumes was due to reduced customer demand in certain product lines and increased competition in the marketplace.

For the nine months ended September 30, 2004, Performance Products segment EBITDA decreased by $7.4 million, or 8%, from the same period in 2003, resulting primarily from higher restructuring charges. During the nine months ended September 30, 2004, we recorded restructuring charges of $41.2 million related to workforce reductions at several of our European surfactants locations and the closure of our Guelph, Canada, Queeny, Missouri and Austin, Texas facilities. In the same period in 2003, we recorded a $20.1 million restructuring charge mainly related to the closure of a number of units at our Whitehaven, U.K. facility. Excluding restructuring charges, EBITDA for the nine months ended September 30, 2004 increased by $13.7 million compared to the same period in 2003. This increase was the result of higher contribution margins as average selling prices more than offset the increase in raw materials and energy costs.

Pigments

For the nine months ended September 30, 2004, Pigments segment revenues increased by $42.2 million, or 6%, from the same period in 2003, resulting from a 3% increase in sales volumes and a 2% increase in average selling prices. The growth in sales volumes was primarily due to increased demand in Asia. Average selling prices benefited from the strengthening of major European currencies versus the U.S. dollar.

Pigments segment EBITDA for the nine months ended September 30, 2004 decreased by $141.9 million to a loss of $53.6 million from $88.3 million for the same period in 2003. The decrease in segment EBITDA is mainly due to restructuring and plant closing costs of $111.7 million and charges of $14.9 million relating to the payment of costs and settlement amounts for claims relating to discoloration of nonplasticized polyvinyl chloride products allegedly caused by our titanium dioxide ("Discoloration Claims") recorded in the 2004 period. The remaining segment EBITDA increase of $16.4 million was primarily due to higher revenues (as discussed above), which were only partially offset by higher costs resulting from the strengthening of the major European currencies versus the U.S.

dollar. During the nine months ended September 30, 2003 and 2004, our Pigments segment recorded restructuring charges of $1.1 million and $111.7 million, respectively.

Polymers

For the nine months ended September 30, 2004, Polymers revenues increased by $171.9 million, or 20%, from the same period in 2003 due mainly to 15% higher average selling prices and 5% higher sales volumes. Higher average selling prices were primarily in response to higher raw material and energy costs while sales volumes increased principally as a result of stronger customer demand.

For the nine months ended September 30, 2004, Polymers segment EBITDA decreased by $7.8 million, or 15%, from the same period in 2003. The decrease in segment EBITDA was primarily due to a $7.6 million restructuring charge related to the closure of an Australian manufacturing unit. Higher revenues for the nine months ended September 30, 2004 were offset by increased raw material prices.

Base Chemicals

For the nine months ended September 30, 2004, Base Chemicals revenues increased $801.6 million, or 41%, from the same period in 2003 due mainly to a 30% increase in average selling prices and an 8% increase in sales volumes. Higher average selling prices were primarily in response to higher raw material and energy costs and the strengthening of major European currencies versus the U.S. dollar. Sales volumes increased for all key products, driven by increased sales volumes of ethylene, propylene and cyclohexane of 6%, 12% and 12%, respectively, principally as a result of increased demand.

For the nine months ended September 30, 2004, Base Chemicals segment EBITDA increased by $149.0 million, or 267%, from the same period in 2003 primarily as a result of higher contribution margins as average selling prices increased more than raw material and energy costs. EBITDA for the nine months ended September 30, 2004 included $9.1 million of restructuring charges related to workforce reductions primarily at our Wilton and North Tees, U.K. facilities.

Corporate and Other

Corporate and other items includes unallocated corporate overhead, unallocated foreign exchange gains and losses, loss on the sale of accounts receivable, other non-operating income and expense and minority interest in subsidiaries' loss. For the nine months ended September 30, 2004, EBITDA from corporate and other items decreased by $77.2 million to a loss of $54.1 million from $23.1 million for the same period in 2003. Lower EBITDA resulted primarily from a negative impact from unallocated foreign currency gains and losses in the nine months ended September 30, 2004 as compared to the comparable period in 2003.

Historical Results of Operations

The businesses of our predecessor Huntsman Holdings, LLC underwent significant changes as a result of a number of transactions. In our historical financial data, HIH is accounted for using the equity method of accounting through April 30, 2003. Effective May 1, 2003, as a result of the HIH Consolidation Transaction, we have consolidated the financial results of HIH. Effective July 1, 2003, as a result of the AdMat Transaction, we have consolidated the financial results of Advanced Materials. Effective September 30, 2002, as a result of the HLLC Restructuring, we have consolidated the financial results of Huntsman Chemical Company Australia Pty Ltd. ("HCCA"). See Note 1 to the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus for a discussion of the HLLC Restructuring. As a result, the financial information as of and for the year ended December 31, 2003 is not comparable to the prior years' historical financial data presented

herein, and the financial information as of and for the nine months ended September 30, 2004 is not comparable to the financial information as of and for the nine months ended September 30, 2003.

	Year Ended December 31,				Nine Months Ended September 30,	
	Historical			Pro Forma	Historical	
	2001	2002	2003	2003	2003	2004
	(in millions)					
Revenues	$ 2,757.4	$ 2,661.0	$ 7,080.9	$ 9,252.4	$ 4,711.1	$ 8,357.7
Cost of goods sold	2,666.6	2,421.0	6,373.1	8,255.1	4,258.7	7,358.0
Gross profit	90.8	240.0	707.8	997.3	452.4	999.7
Operating expense	211.7	174.7	493.4	732.2	333.3	580.9
Restructuring, impairment and plant closing costs (credit)	588.5	(1.0)	37.9	55.0	27.2	202.4
Operating (loss) income	(709.4)	66.3	176.5	210.1	91.9	216.4
Interest expense, net	(239.3)	(181.9)	(409.1)	(578.7)	(260.7)	(459.5)
Loss on sale of accounts receivable	(5.9)		(20.4)	(32.4)	(11.9)	(10.2)
Equity in (loss) income of unconsolidated affiliates	(86.8)	(31.4)	(37.5)	1.5	(38.2)	3.0
Other (expense) income	0.6	(7.6)		(2.2)	0.4	(0.8)
Loss before income tax benefit and minority interests	(1,040.8)	(154.6)	(290.5)	(401.7)	(218.5)	(251.1)
Income tax benefit (expense)	184.9	(8.5)	(30.8)	(32.1)	3.8	25.7
Minority interests in subsidiaries' loss (income)	13.1	(28.8)	1.5	6.8	0.5	(1.1)
Cumulative effect of accounting changes	0.1	169.7				
Net loss	$ (842.7)	$ (22.2)	$ (319.8)	$ (427.0)	$ (214.2)	$ (226.5)
Interest expense, net	239.3	181.9	409.1	578.7	260.7	459.5
Income tax (benefit) expense	(184.9)	8.5	30.8	32.1	(3.8)	(25.7)
Depreciation and amortization	197.5	152.7	353.4	479.7	230.5	410.3
EBITDA(1)	$ (590.8)	$ 320.9	$ 473.5	$ 663.5	$ 273.2	$ 617.6
Net cash provided by (used in) operating activities	(287.0)	88.7	225.4		(36.8)	55.9
Net cash (used in) provided by investing activities	86.2	(24.5)	(908.5)		(842.1)	(160.7)
Net cash provided by (used in) financing activities	182.2	(93.0)	786.7		947.7	128.2

(1) EBITDA is defined as net income (loss) before interest, income taxes, depreciation and amortization. We believe that EBITDA enhances an investor's understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our indebtedness. However, EBITDA should not be considered in isolation or viewed as a substitute for net income, cash flow from operations or other measures of performance as defined by GAAP. Moreover, EBITDA as used herein is not necessarily

comparable to other similarly titled measures of other companies due to potential inconsistencies in the method of calculation. Our management uses EBITDA to assess financial performance and debt service capabilities. In assessing financial performance, our management reviews EBITDA as a general indicator of economic performance compared to prior periods. Because EBITDA excludes interest, income taxes, depreciation and amortization, EBITDA provides an indicator of general economic performance that is not affected

by debt restructurings, fluctuations in interest rates or effective tax rates, or levels of depreciation and amortization. Accordingly, our management believes this type of measurement is useful for comparing general operating performance from period to period and making certain related management decisions. EBITDA is also used by securities analysts, lenders and others in their evaluation of different companies because it excludes certain items that can vary widely across different industries or among companies within the same industry. For example, interest expense can be highly dependent on a company's capital structure, debt levels and credit ratings. Therefore, the impact of interest expense on earnings can vary significantly among companies. In addition, the tax positions of companies can vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the various jurisdictions in which they operate. As a result, effective tax rates and tax expense can vary considerably among companies. Finally, companies employ productive assets of different ages and utilize different methods of acquiring and depreciating such assets. This can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies. Our management also believes that our investors use EBITDA as a measure of our ability to service indebtedness as well as to fund capital expenditures and working capital requirements. Nevertheless, our management recognizes that there are material limitations associated with the use of EBITDA in the evaluation of our company as compared to net income, which reflects overall financial performance, including the effects of interest, income taxes, depreciation and amortization. EBITDA excludes interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate revenue. Therefore, any measure that excludes interest expense has material limitations. EBITDA also excludes taxes. Because the payment of taxes is a necessary element of our operations, any measure that excludes tax expense has material limitations. Finally, EBITDA excludes depreciation and amortization expense. Because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate revenue. Therefore, any measure that excludes depreciation and amortization expense has material limitations. Our management compensates for the limitations of using EBITDA by using it to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Our management also uses other metrics to evaluate capital structure, tax planning and capital investment decisions. For example, our management uses credit ratings and net debt ratios to evaluate capital structure, effective tax rate by jurisdiction to evaluate tax planning, and payback period and internal rate of return to evaluate capital investments. Our management also uses trade working capital to evaluate its investment in receivables and inventory, net of payables.

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

GAAP that is most directly comparable to EBITDA. The following table reconciles EBITDA to our net loss and to our cash provided by (used in) operations:

	Year Ended December 31,					
	Historical			Pro Forma	Nine Months Ended September 30,	
	2001	2002	2003	2003	2003	2004
	(in millions)					
EBITDA	$ (590.8)	$ 320.9	$ 473.5	$ 663.5	$ 273.2	$ 617.6
Depreciation and amortization expense	(197.5)	(152.7)	(353.4)	(479.7)	(230.5)	(410.3)
Interest expense, net	(239.3)	(181.9)	(409.1)	(578.7)	(260.7)	(459.5)
Income tax benefit (expense)	184.9	(8.5)	(30.8)	(32.1)	3.8	25.7
Net loss	(842.7)	(22.2)	(319.8)	(427.0)	(214.2)	(226.5)
Cumulative effect of accounting changes	(0.1)	(169.7)				
Equity in losses (income) of investment in unconsolidated affiliates	86.8	31.4	37.5		38.2	(3.0)
Depreciation and amortization expense	197.5	152.7	353.4		230.5	410.3
Noncash restructuring, plant closing and asset impairment charges (credits)	528.2	(5.3)	9.7		12.3	109.0
Noncash interest (including interest on affiliate debt)	10.4	(5.5)	90.7		44.5	118.0
Deferred income taxes	(184.5)		(3.6)		(27.8)	(55.8)
Unrealized gains on foreign currency transactions			(58.3)		(17.4)	(26.1)
Other, net	(4.3)	34.2	12.2		6.3	6.4
Changes in operating assets and liabilities (net of acquisitions)	(78.3)	73.1	103.6		(109.2)	(276.4)
Net cash (used in) provided by operating activities	$ (287.0)	$ 88.7	$ 225.4		$ (36.8)	$ 55.9

Nine months ended September 30, 2004 (Historical) compared to nine months ended September 30, 2003 (Historical)

For the nine months ended September 30, 2004, we had a net loss of $226.5 million on revenues of $8,357.7 million compared to a net loss of $214.2 million on revenues of $4,711.1 million for the same period in 2003. The increase of $12.3 million in net loss was the result of the following items:

Revenues for the nine months ended September 30, 2004 increased by $3,646.6 million, or 77%, to $8,357.7 million from $4,711.1 million during the same period in 2003. Approximately 60% of this increase was due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the entire period in 2004. The remaining approximately 40% of the increase was due to higher average selling prices in all our operating segments and higher sales volumes in our Polyurethanes, Advanced Materials, Pigments, Polymers and Base Chemicals segments. For details of the changes in selling prices and sales volumes from the prior year, please see our discussion by operating segment below.

Gross profit for the nine months ended September 30, 2004 increased by $547.3 million, or 121%, to $999.7 million from $452.4 million in the same period in 2003. Approximately 52% of

this increase was due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the entire period in 2004. The remaining approximately 48% of the increase was due to higher contribution margins as average selling prices increased more than raw material and energy costs in 2004 as compared with the same period in 2003.

Operating expenses for the nine months ended September 30, 2004 increased by $247.6 million, or 74%, to $580.9 million from $333.3 million in the same period in 2003. Approximately 94% of this increase was due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the entire period in 2004.

Restructuring, impairment and plant closing costs for the nine months ended September 30, 2004 increased by $175.2 million to $202.4 million from $27.2 million in the same period in 2003. This increase was in part due to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003. For the nine months ended September 30, 2004, our Polyurethanes segment recorded charges of $24.8 million related to workforce reductions at our Everberg, Belgium, West Deptford, New Jersey and Rozenburg, Netherlands sites; our Advanced Materials segment recorded no charges as charges for its restructuring activities were recorded in Advanced Materials' opening balance sheet; our Performance Products segment recorded charges of $41.2 million primarily related the closure of our Guelph, Canada facility and a workforce reduction across all locations in our European surfactants business; our Pigments segment recorded charges of $111.7 million related to the idling of manufacturing units at Umbogintwini, South Africa and Grimsby, U.K. and the related workforce reductions; our Polymers segment recorded charges of $7.6 million related to the closure of a manufacturing unit in Australia; and our Base Chemicals segment recorded restructuring charges of $9.1 million primarily related to workforce reductions and a change in work shift schedules at our Wilton and North Tees, U.K. facilities.

Net interest expense for the nine months ended September 30, 2004 increased by $198.8 million to $459.5 million from $260.7 million for the same period in 2003. Approximately 97% of this increase was due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the entire period in 2004.

Loss on HI's accounts receivable securitization program decreased $1.7 million, or 14%, to a loss of $10.2 million for the nine months ended September 30, 2004 as compared to a loss of $11.9 million for 2003. Losses on the accounts receivable securitization program include the discount on receivables sold into the program, fees and expenses associated with the program and gains (losses) on foreign currency hedge contracts mandated by the terms of the program to hedge currency exposures on the collateral supporting the off-balance sheet debt issued.

Income tax benefit increased by $21.9 million to a benefit of $25.7 million for the nine months ended September 30, 2004 as compared to income tax benefit of $3.8 million for the nine months ended September 30, 2003. Our tax obligations are affected by the mix of income and losses in the tax jurisdictions in which we operate. Increased tax benefit was largely due to changes in pre-tax income. Substantially all non-U.S. operations of our Advanced Materials subsidiary are treated as branches for U.S. income tax purposes and are, therefore, subject to both U.S. and non-U.S. income tax. The U.S. tax implications of income from Advanced Materials operations are offset by other U.S. losses, which results in no U.S. tax expense or benefit, net of valuation allowances. Application of the statutory rate would result in a non-U.S. tax expense of approximately $17 million on $50.0 million of Advanced Materials pre-tax

income. An additional $15.3 million of tax expense was primarily the result of our recognizing losses in jurisdictions where little or no tax benefit was provided. In addition, we recognized a $55.0 million benefit attributable to non-Advanced Materials foreign operations. In particular, during the nine months ended September 30, 2004 we recognized non-recurring benefits in Spain, France and Holland of approximately $27 million associated with enacted changes in tax rates, the settlement of tax authority examinations and the reversal of previously established valuation allowances. In addition, we recognized approximately $24 million of benefit from losses in jurisdictions not subject to valuation allowances as well as treaty negotiated reductions in statutory rates.

The following table sets forth certain financial information for each of our operating segments:

	Historical		
	Nine Months Ended September 30,		
	2003	2004	% Change
	(in millions)		
Revenues			
Polyurethanes	$ 983.3	$ 2,117.4	115%
Advanced Materials	258.7	866.4	235%
Performance Products	1,084.4	1,399.7	29%
Pigments	421.6	794.6	88%
Polymers	847.7	1,019.6	20%
Base Chemicals	1,467.0	2,755.8	88%
Eliminations	(351.6)	(595.9)	69%
Total	$ 4,711.1	$ 8,357.7	77%
Segment EBITDA			
Polyurethanes	$ 99.8	$ 270.7	171%
Advanced Materials	19.5	121.3	522%
Performance Products	87.7	82.9	(5)%
Pigments	47.6	(53.6)	NM
Polymers	53.4	45.6	(15)%
Base Chemicals	24.8	204.8	726%
Corporate and other	(59.6)	(54.1)	(9)%
Total EBITDA	$ 273.2	$ 617.6	126%

NM Not Meaningful

Polyurethanes

For the nine months ended September 30, 2004, Polyurethanes revenues increased by $1,134.1 million, or 115.5%, from the same period in 2003. Approximately 65% of this increase was due to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003. The remaining approximately 35% increase in Polyurethanes revenues was primarily due to higher average selling prices and higher sales volumes for MDI. MDI revenues increased by approximately 31%, resulting from approximately 15% higher sales volumes and approximately 16% higher average selling prices. The increase in MDI average selling prices resulted principally from improved market demand coupled with tighter supply, stronger major European currencies versus the U.S. dollar and in response to higher raw material and energy costs. Higher MDI volumes reflect further extensions of markets for MDI and recent improvements in global economic conditions.

For the nine months ended September 30, 2004, Polyurethanes segment EBITDA increased by $170.9 million, or 171%, to $270.7 million from $99.8 million for the same period in 2003, approximately 34% of which was due to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003. The remaining approximately 66% of the increase, exclusive of restructuring costs, of $141.2 million resulted mainly from higher contribution margins as average selling prices increased more than raw materials and energy costs. For the nine months ended September 2003 and 2004, restructuring charges of $5.2 million and $32.8 million, respectively, were included in segment EBITDA.

Advanced Materials

Advanced Materials revenues for the nine months ended September 30, 2004 increased by $607.7 million, or 235%, from the same period in 2003. Approximately 88% of the increase was attributable to our ownership of Advanced Materials for the entire period in 2004 following the AdMat Transaction on June 30, 2003. The remaining approximately 12% increase in revenues for 2004 as compared to 2003 was due to an approximately 9% increase in average selling prices and an approximately 4% increase in sales volumes. Average selling prices were higher due to improved demand in certain markets in response to higher raw material costs and, in part, to the strength of the major European currencies versus the U.S. dollar.

For the nine months ended September 30, 2004, Advanced Materials segment EBITDA increased by $101.8 million to $121.3 million from $19.5 million for the same period of 2003. Approximately 24% of the increase was attributable to the our ownership of Advanced Materials for the entire period in 2004 following the AdMat Transaction on June 30, 2003. The remaining approximately 76% increase in segment EBITDA was primarily due to higher contribution margins as average selling prices increased more than raw material costs.

Performance Products

For the nine months ended September 30, 2004, Performance Products revenues increased by $315.3 million, or 29%, from the same period in 2003. Approximately 58% of this increase was due to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003. The remaining increase in revenues resulted primarily from higher average selling prices for all products, offset somewhat by lower sales volumes in certain product lines. Overall, average selling prices increased by approximately 14% in response to higher raw material and energy costs, improved market conditions and the strength of the Australian dollar versus the U.S. dollar. An approximately 1% decrease in sales volumes resulted principally from lower sales volumes of amines and surfactants. The reduction in surfactants sales volumes was due principally to increased competition in the marketplace.

For the nine months ended September 30, 2004, Performance Products segment EBITDA decreased by $4.8 million, or 5%, to $82.9 million from $87.7 million for the same period in 2003, approximately 54% of which was due to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003. The remaining decrease in EBITDA resulted primarily from restructuring charges. During the nine months ended September 30, 2004, HLLC recorded restructuring charges of $23.3 million related primarily to the closure of our Guelph, Canada, Queeny, Missouri and Austin, Texas facilities. Exclusive of these restructuring costs, EBITDA increased by approximately $21.1 million, most of which resulted from higher contribution margins as average selling prices increased more than raw material and energy costs.

Pigments

For the nine months ended September 30, 2004, Pigments revenues increased by $373.0 million, or 88%, from the same period in 2003. Approximately 89% of this increase was due to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003. The remaining approximately 11% of the increase in revenues was due to approximately 5% higher sales volumes and approximately 1% higher average sales prices. The growth in sales volumes was primarily due to increased demand in Asia. Average selling prices benefited from the strength of major European currencies versus the U.S. dollar.

Pigments segment EBITDA for the nine months ended September 30, 2004 decreased by $101.2 million to a loss of $53.6 million from income of $47.6 million for the same period in 2003, due primarily to increased restructuring expenses. During the nine months ended September 30, 2004 and 2003, our Pigments segment recorded restructuring and asset impairment charges of $111.7 million and $1.1 million, respectively.

Polymers

For the nine months ended September 30, 2004, Polymers revenues increased by $171.9 million, or 20%, to $1,019.6 million from $847.7 million the same period in 2003 due mainly to approximately 15% higher average selling prices and approximately 5% higher sales volumes. Higher average selling prices were primarily in response to higher raw material and energy costs while sales volumes increased principally as a result of stronger customer demand.

For the nine months ended September 30, 2004, Polymers segment EBITDA decreased by $7.8 million to $45.6 million from $53.4 million for the same period in 2003. The decrease in segment EBITDA was primarily due to a $7.6 million restructuring charge related to the closure of an Australian manufacturing unit. Higher average selling prices were offset by higher raw material costs.

Base Chemicals

For the nine months ended September 30, 2004, Base Chemicals revenues increased $1,288.8 million, or 88%, from the same period in 2003. Approximately 38% of this increase was due to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003. The remaining increase in revenue is due to approximately 51% higher average selling prices and approximately 3% higher sales volumes. Higher average selling prices were primarily in response to higher raw material and energy costs. Sales volumes increases were principally the result of increased demand.

For the nine months ended September 30, 2004, Base Chemicals segment EBITDA increased by $180.0 million to $204.8 million from $24.8 million for the same period in 2003, approximately 17% of which was due to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003. The remaining increase in EBITDA was primarily a result of higher contribution margins as average selling prices increased more than raw material and energy costs.

Corporate and Other

Corporate and other items includes unallocated corporate overhead, unallocated foreign exchange gains and losses, loss on the sale of accounts receivable, other non-operating income and expense and minority interest in subsidiaries' loss. For the nine months ended September 30, 2004, EBITDA from corporate and other items increased by $5.5 million to a loss of $54.1 million from loss of $59.6 million for the same period in 2003.

Year Ended December 31, 2003 (Historical) Compared to Year Ended December 31, 2002 (Historical)

For the year ended December 31, 2003, we had a net loss of $319.8 million on revenues of $7,080.9 million, compared to net loss of $22.2 million on revenues of $2,661.0 million for 2002. The decrease of $297.6 million in net income was the result of the following items:

Revenues for the year ended December 31, 2003 increased by $4,419.9 million to $7,080.9 million from $2,661.0 million during 2002. Approximately 87% of this increase was due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the remainder of 2003. The remaining approximately 13% of the increase was due to higher average selling prices in all of our segments and higher sales volumes in our Performance Products and Polymers segments. For details of our changes in selling prices and sales volumes from the prior year, please see our discussion by operating segment below. Pro forma revenues for the year ended December 31, 2003 were $9,252.4 million.

Gross profit for the year ended December 31, 2003 increased by $467.8 million to $707.8 million from $240.0 million in 2002. This increase was due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the remainder of 2003. Excluding the impact of the HIH Consolidation Transaction and the AdMat Transaction, gross profit declined by approximately 11%. This decrease was primarily attributable to lower contribution margins as average selling prices decreased more than raw material and energy costs. Pro forma gross profit for the year ended December 31, 2003 was $997.3 million.

Operating expenses for the year ended December 31, 2003 increased by $318.7 million to $493.4 million from $174.7 million in 2002. This increase was due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the remainder of 2003. Excluding the impact of the HIH Consolidation Transaction and the AdMat Transaction, operating expenses declined by approximately 10%. This decline was primarily due to reorganization costs of $18.6 million incurred in 2002. Pro forma operating expenses for the year ended December 31, 2003 were $732.2 million.

During the year ended December 31, 2003, we recorded restructuring, plant closing and asset impairment charges of $37.9 million. The majority of these costs were incurred in our Polyurethanes and Performance Products segments. Our Polyurethanes segment recorded restructuring charges in connection with the integration of our global flexible products unit into our urethane specialties unit and various cost initiatives at our Rozenburg, Netherlands manufacturing site. Our Performance Products segment recorded restructuring charges relating to the closure of certain production units at our Whitehaven, U.K. facility, the closure of an administrative office in London, U.K., the rationalization of a surfactants technical center in Oldbury, U.K. and the restructuring of our Barcelona, Spain facility. We also reversed $2.4 million of prior years' restructuring charges accrued in connection with our manufacturing operations at our Base Chemicals segment's Jefferson County, Texas facilities to reflect actual cash paid. Pro forma restructuring, impairment and plant closing costs for the year ended December 31, 2003 were $55.0 million.

Net interest expense for the year ended December 31, 2003 increased by $227.2 million to $409.1 million from $181.9 million for 2002. This increase was entirely due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the remainder of 2003. Excluding the impact of the HIH Consolidation Transaction and the AdMat Transaction, net interest expense decreased to $150.3 million. The decrease was primarily due to

a net reduction of debt as a consequence of our restructuring, which was completed on September 30, 2002. Pro forma net interest expense for the year ended December 31, 2003 was $578.4 million.

Loss on HI's accounts receivable securitization program increased $20.4 million to a loss of $20.4 million for the year ended December 31, 2003 as compared to a loss of $0.0 million for 2002. This increase was entirely due to our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. Losses on the accounts receivable securitization program include the discount on receivables sold into the program, fees and expenses associated with the program and gains (losses) on foreign currency hedge contracts mandated by the terms of the program to hedge currency exposures on the collateral supporting the off-balance sheet debt issued. Pro forma loss on sale of accounts receivable for the year ended December 31, 2003 was $32.4 million.

Income tax expense increased $22.3 million to an expense of $30.8 million for the year ended December 31, 2003 as compared to an expense of $8.5 million for 2002. This increase was primarily due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the remainder of 2003. Excluding the impact of the HIH Consolidation Transaction and the AdMat Transaction, income tax expense increased by 89%. Our tax obligations are affected by the mix of income and losses in the tax jurisdictions in which we operate. Pro forma income tax expense for the year ended December 31, 2003 was $32.1 million.

Minority interest in subsidiary losses decreased by $30.3 million to income of $1.5 million for the year ended December 31, 2003 as compared to a loss of $28.8 million for 2002. This decrease was due to our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. We had no minority interests in subsidiaries prior to the HIH Consolidation Transaction. Pro forma minority interest in subsidiaries' income for the year ended December 31, 2003 was $6.8 million.

Cumulative effect of accounting changes resulted in an increase to net income of $169.7 million for the year ended December 31, 2002. This increase was due to the effects of the initial adoption of SFAS No. 141 "*Business Combinations*." The adoption of SFAS No. 141 resulted in the increase in the carrying value of our investment in HIH to reflect our proportionate share of the underlying assets. Effective June 30, 1999, Huntsman Specialty, our consolidated subsidiary, transferred its PO business to HIH. The transfer of our PO business was recorded at the net book value of the assets and liabilities transferred. The carrying value of our investment in HIH was less than our proportionate share of the underlying net assets of HIH at December 31, 2001 by approximately $176.1 million. Prior to the adoption of SFAS No. 141, this difference was being accreted to income over a 20-year period.

The following table sets forth certain financial information for each of our operating segments:

	Historical			
	Year Ended December 31,			
	2002	2003	% Change	Pro Forma Year Ended December 31, 2003
	(in millions)			
Revenues				
Polyurethanes	$	$ 1,562.4	NM	$ 2,297.5
Advanced Materials		517.8	NM	1,049.6
Performance Products	1,028.2	1,507.7	47%	1,689.6
Pigments		678.9	NM	1,009.9
Polymers	840.2	1,155.5	38%	1,155.5
Base Chemicals	996.2	2,152.7	116%	2,639.9
Eliminations	(203.6)	(494.1)	143%	(589.6)
Total	$ 2,661.0	$ 7,080.9	166%	$ 9,252.4
Segment EBITDA(1)				
Polyurethanes	$	$ 176.0	NM	$ 233.4
Advanced Materials		38.6	NM	48.2
Performance Products	164.4	125.6	(24)%	128.3
Pigments		64.7	NM	105.4
Polymers	74.7	80.8	8%	80.8
Base Chemicals	44.7	40.7	(9)%	71.7
Corporate and other	(132.6)	(52.9)	60%	(4.3)
Total	$ 151.2	$ 473.5	213%	$ 663.5

(1) Segment EBITDA is defined as net income (loss) from continuing operations before interest, income taxes and depreciation and amortization. Segment EBITDA for the year ended December 31, 2002 excludes the impacts of a cumulative effect of accounting change credit of $169.7 million.

Polyurethanes

For the year ended December 31, 2003, Polyurethanes revenues increased by $1,562.4 million to $1,562.4 million from $0.0 million for 2002. The increase was the result of our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. Pro forma Polyurethanes revenues for the year ended December 31, 2003 were $2,297.5 million.

For the year ended December 31, 2003, Polyurethanes segment EBITDA increased by $176.0 million to $176.0 million from $0.0 million for the same period in 2002. The increase was the result of our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. Pro forma Polyurethanes segment EBITDA for the year ended December 31, 2003 was $233.4 million.

Advanced Materials

Advanced Materials revenues for the year ended December 31, 2003 increased by $517.8 million to $517.8 million from $0.0 million for 2002. The increase was the result of our ownership of Advanced Materials for the remainder of 2003 following the AdMat Transaction on

June 30, 2003. Pro forma Advanced Materials revenues for the year ended December 31, 2003 were $1,049.6 million.

For the year ended December 31, 2003, Advanced Materials segment EBITDA increased by $38.6 million to $38.6 million from $0.0 million for the same period in 2002. The increase was the

result of our ownership of Advanced Materials for the remainder of 2003 following the AdMat Transaction on June 30, 2003. Pro forma Advanced Materials segment EBITDA for the year ended December 31, 2003 was $48.2 million.

Performance Products

For the year ended December 31, 2003, Performance Products revenues increased by $479.5 million, or 47%, to $1,507.7 million from $1,028.2 million in 2002. Approximately 82% of the increase was the result of our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. Excluding the impact of the HIH Consolidation Transaction, higher revenues resulted mainly from increases in average selling prices of 1% and sales volumes of 6%. Pro forma Performance Products revenues for the year ended December 31, 2003 were $1,689.6 million.

For the year ended December 31, 2003, Performance Products segment EBITDA fell by $38.8 million to $125.6 million from $164.4 million in 2002, approximately 47% of which was due to our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. Excluding the impact of the HIH Consolidation Transaction, lower EBITDA resulted mainly from lower contribution margins as average selling prices decreased more than raw material costs. Pro forma Performance Products segment EBITDA for the year ended December 31, 2003 was $128.3 million.

Pigments

For the year ended December 31, 2003, Pigments revenues increased by $678.9 million to $678.9 million from $0.0 million for the same period in 2002. The increase was the result of our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. Pro forma Pigments revenues for the year ended December 31, 2003 were $1,009.9 million.

For the year ended December 31, 2003, Pigments segment EBITDA increased by $64.7 million to $64.7 million from $0.0 million in 2002. The increase was the result of our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. Pro forma Pigments segment EBITDA for the year ended December 31, 2003 was $105.4 million.

Polymers

For the year ended December 31, 2003, Polymers revenues increased by $315.3 million, or 38%, to $1,155.5 million from $840.2 million in 2002. Overall sales volumes increased by 8% and average selling prices increased by 13%. Polyethylene revenues increased by 22%, as average selling prices increased 20% primarily in response to higher underlying raw material and energy costs, and sales volumes increased 2%. After giving effect to the shutdown of a manufacturing line in Odessa, Texas, polypropylene revenues increased by 11%, as average selling prices increased by 11% primarily in response to higher raw material and energy costs and increased industry operating rates. APAO revenues increased by 29%, as average selling prices increased 5% due to changes in product mix, and sales volumes increased 24% as the result of increased export sales and increased sales into the roofing market. EPS revenues increased by 10%, as average selling prices increased 16% primarily in response to higher underlying raw material and energy costs, while sales volumes decreased 6% due to import competition. Australian styrenics revenues increased by 25%, resulting from an increase in average selling prices of 21%, the majority of which was attributable to the strength of the Australian dollar versus the U.S. dollar, and an increase in sales volumes of 4%. Pro forma Polymers revenues for the year ended December 31, 2003 were $1,155.5 million.

For the year ended December 31, 2003, Polymers segment EBITDA increased by $6.1 million to $80.8 million from $74.7 million in 2002. The increase in EBITDA is due to higher contribution

margins as average selling prices increased more than raw material costs. Pro forma Polymers segment EBITDA for the year ended December 31, 2003 was $80.8 million.

Base Chemicals

For the year ended December 31, 2003, Base Chemicals revenues increased by $1,156.5 million, or 116%, to $2,152.7 million from $996.2 million in 2002. Approximately 79% of the increase was the result of our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. Excluding the impact of the HIH Consolidation Transaction, higher revenues resulted mainly from increases in average selling prices of 29%, partially offset by a decrease in overall sales volumes of 3%. Average selling prices increased in response to higher raw material and energy costs. Pro forma Base Chemicals revenues for the year ended December 31, 2003 were $2,639.9 million.

For the year ended December 31, 2003, Base Chemicals segment EBITDA decreased by $4.0 million to $40.7 million from $44.7 million in 2002. Segment EBITDA increased as a result of our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. Excluding the impact of the HIH Consolidation Transaction, EBITDA decreased by $50.7 million, primarily due to lower contribution margins as average selling prices decreased more than raw material and energy costs, and $19.9 million in costs related to a planned maintenance shutdown. Pro forma Base Chemicals segment EBITDA for the year ended December 31, 2003 was $71.7 million.

Corporate and Other

Corporate and other includes corporate overhead, loss on the accounts receivable securitization program, minority interest in earnings of consolidated subsidiaries and unallocated foreign exchange gains and losses. For the year ended December 31, 2003, EBITDA from corporate and other items increased by $79.7 million to a loss of $52.9 million from a loss of $132.6 million in 2002. This increase was primarily due to increased unallocated foreign exchange gains resulting from the HIH Consolidation Transaction on May 1, 2003 and the AdMat Transaction on June 30, 2003. Pro forma EBITDA from corporate and other items for the year ended December 31, 2003 was a loss of $4.3 million.

Year ended December 31, 2003 Pro Forma

The pro forma financial information for the year ended December 31, 2003 has been prepared as if the HIH Consolidation Transaction, the AdMat Transaction and the Refinancing Transactions occurred on January 1, 2003. HIH became a consolidated subsidiary effective as of May 1, 2003, and Advanced Materials became a consolidated subsidiary effective as of June 30, 2003. The Refinancing Transactions occurred between April 2003 and December 2004. Pro forma revenues, operating income, net loss and EBITDA for 2003 were $9,252.4 million, $210.0 million, $427.0 million and $663.5 million, respectively.

Year ended December 31, 2002 (Historical) compared to year ended December 31, 2001 (Historical)

For the year ended December 31, 2002, we had a net loss of $22.2 million on revenues of $2,661.0 million, compared to a net loss of $842.7 million on revenues of $2,757.4 million for 2001. The decrease of $820.5 million in net loss was the result of the following items:

Revenues for the year ended December 31, 2002 decreased $96.4 million, or 3%, to $2,661.0 million from $2,757.4 million for 2001. The decrease was attributable to reduced revenues in the Performance Products and Base Chemicals segments partially offset by higher revenues for Polymers. The increase in Polymers revenues was primarily due to the inclusion of the fourth quarter results of our Australian styrenics operations. Prior to the fourth quarter of 2002, these results were reported under the equity method of accounting. Lower average selling

prices were experienced by all business segments. Lower sales volumes for Polymers were partially offset by higher sales volumes for Performance Products and Base Chemicals. Lower sales volumes in the Polymers segment were primarily due to the permanent closure of our styrene plant in Odessa, Texas in 2001, which resulted in a $40.8 million decrease in revenues for the year ended December 31, 2002 as compared with the same period in 2001.

Gross profit for the year ended December 31, 2002 increased $149.2 million to $240.0 million from $90.8 million for 2001. The increase was attributable to improved gross profit for the Performance Products and Polymers segments, partially offset by reduced gross profit for the Base Chemicals segment. Performance Products and Polymers margins improved as declining raw material prices outpaced the decline in average selling prices, and fixed costs decreased due to our cost reduction program. In the Base Chemicals segment average selling prices declined more rapidly than raw material prices, but the decline was partially offset by lower fixed costs due to our cost reduction program. In addition, depreciation expense in the 2002 period was lower due to a reduction in depreciable basis as a result of our cost rationalization program and the impairment charges taken in 2001.

Operating expenses decreased $37.0 million to $174.7 million compared to $211.7 million for 2001. This decrease was primarily due to lower information and technology costs, lower legal expenses and savings due to our cost reduction program. This decrease was also due to $8.6 million in additional write-offs of accounts receivable balances in 2001 as compared with 2002.

During 2001, we incurred restructuring, plant closing and asset impairment charges of $588.5 million as we closed certain manufacturing facilities and eliminated certain operating, sales and administrative positions. These charges were revised downward during 2002 by $5.3 million, and additional charges of $4.3 million were recorded in 2002 in relation to curtailed production at our Port Neches, Texas and Guelph, Canada operations.

Other expense for the year ended December 31, 2002 increased by $8.2 million to $7.6 million from income of $0.6 million for 2001. The increase in expense was primarily due to increased loss on extinguishment of long-term debt, loss on sale of non-qualified plan assets and loss on the exchangeable preferred stock, partially offset by income recorded in 2001 that related to insurance settlements and dividends on exchangeable preferred stock of NOVA Chemicals Corporation.

Equity in losses of unconsolidated affiliates for the year ended December 31, 2002 decreased by $55.4 million to $31.4 million from $86.8 million in 2001. This decrease was primarily due to our 60% ownership of HIH, and HIH's improved results in 2002 as compared to 2001.

Net interest expense for the year ended December 31, 2002 decreased by $57.4 million to $181.9 million from $239.3 million for 2001. The decrease was primarily due to the restructuring of debt in September 2002, partially offset by an unfavorable impact from adjusting interest rate instruments to fair value.

Loss on accounts receivable securitization program of $5.9 million was recognized in 2001 resulting from HLLC's domestic accounts receivable securitization program that was discontinued in December of 2001.

Income tax benefit for the year ended December 31, 2002 decreased by $193.4 million to a charge of $8.5 million as compared to a $184.9 million tax benefit for 2001. No tax benefit has been recorded in 2002 because we have determined not to increase our tax benefit beyond the amount valued at December 31, 2001. The $8.5 million charge that was recorded in the year ended December 31, 2002 was primarily interest expense related to the settlement of federal income taxes for certain prior years.

Cumulative effect of accounting changes resulted in an increase to net income of $169.7 million for the year ended December 31, 2002. This increase was due to the effects of the initial adoption of SFAS No. 141 "*Business Combinations*." The adoption of SFAS No. 141 resulted in the increase in the carrying value of our investment in HIH to reflect our proportionate share of the underlying assets. Effective June 30, 1999, Huntsman Specialty, our consolidated subsidiary, transferred its PO business to HIH. The transfer of our PO business was recorded at the net book value of the assets and liabilities transferred. The carrying value of our investment in HIH was less than our proportionate share of the underlying net assets of HIH at December 31, 2001 by approximately $176.1 million. Prior to the adoption of SFAS No. 141, this difference was being accreted to income over a 20-year period.

The following table sets forth certain financial information for each of our operating segments:

	Historical	
	Year Ended December 31,	
	2001	2002
	(in millions)	
Net Sales:		
Performance Products	$ 1,077.6	$ 1,028.2
Polymers	820.6	840.2
Base Chemicals	1,051.3	996.2
Eliminations	(192.1)	(203.6)
	$ 2,757.4	$ 2,661.0
Segment EBITDA:		
Performance Products	$ 127.7	$ 164.4
Polymers	(550.6)	74.7
Base Chemicals	63.1	44.7
Corporate and other	(231.1)	(132.6)
Total	$ (590.9)	$ 151.2

Performance Products

For the year ended December 31, 2002, Performance Products revenues decreased by $49.4 million to $1,028.2 million from $1,077.6 million in 2001. This decrease was primarily the result of lower revenues in our LAB and amines operations. LAB product revenues decreased by 20% due to lower sales volumes of 12%, coupled with pricing declines of 9%. These decreases were the result of product substitution into lower priced alternatives. Amines chemicals revenues decreased by 4% due to an 8% decrease in sales volumes partially offset by a 4% increase in average selling prices. The increase in average selling prices was due primarily to proactive product and customer mix rationalization efforts. Maleic anhydride revenues increased by 9% as compared to the same period in 2001. Maleic anhydride average selling prices increased by 7% due to increased sales of higher priced maleic catalyst.

For the year ended December 31, 2002, Performance Products segment EBITDA increased by $36.7 million to $164.4 million from $127.7 million for 2001. This increase resulted from lower ethylene-based feedstock costs, higher sales volumes and fixed cost savings resulting from our cost reduction program. The $36.7 million increase in segment EBITDA is net of $33.6 million received in 2001 from business interruption insurance proceeds relating to a loss sustained in connection with the outage of our EO unit in December of 2000.

Polymers

For the year ended December 31, 2002, Polymers revenues increased by $19.6 million to $840.2 million from $820.6 million in 2001. The major factor contributing to the increase in Polymers

revenues was the inclusion of the fourth quarter results of our Australian styrenics operations in 2002, which resulted in an increase of $35.7 million of revenues. Prior to the fourth quarter 2002, these results were reported under the equity method of accounting. Offsetting this increase, we had lower revenues due to the permanent closure of our Odessa, Texas styrene plant, which resulted in a reduction in revenues of $40.8 million. Changes in U.S. revenues are as follows: Olefins revenues decreased by 19%, with sales volumes down 12% due primarily to lower propane sales resulting from a change in feedstock mix, while average selling prices decreased by 7% due to declining underlying raw material and energy prices. Polyethylene revenues increased by 2%, with sales volumes up by 10% on stronger demand. Increased polyethylene sales volumes were partially offset by a decrease in average selling prices of 7%. Polypropylene revenues increased by 10%, with sales volumes up 7% due to a tighter supply/demand balance and concentrated buying associated with the discontinuation of certain polypropylene products from our Odessa facility. EPS revenue increased 5%, with sales volumes up by 10% due to a tighter supply/demand balance, partially offset by a decrease in average selling prices of 3%.

For the year ended December 31, 2002, Polymers segment EBITDA increased by $625.3 million to $74.7 million from a segment EBITDA loss of $550.6 million for 2001. The increase in segment EBITDA was primarily due to a $527.0 million restructuring and plant closing charge recorded in the 2001 period and improved market fundamentals in 2002 allowing some margin expansion from earlier trough conditions, coupled with the benefits of our fixed cost reductions and elimination of certain non-competitive assets.

Base Chemicals

For the year ended December 31, 2002, Base Chemicals revenues decreased $55.1 million to $996.2 million from $1,051.3 million in 2001. Olefins revenues decreased by 10%, partly due to sales volume decreases of 1%, but primarily because average selling prices decreased by 10% in line with loosening operating rates in the industry and generally declining raw material costs. Benzene revenues decreased by 6% as compared to 2001. Benzene sales volumes decreased by 15% due to a lack of available feedstock. Benzene average selling prices increased by 11%. Cyclohexane revenues increased by 45% as compared to 2001. Cyclohexane sales volumes increased by 37% due to tightening market conditions resulting from steady demand. Cyclohexane average selling prices increased by 7%. Butadiene sales volumes increased by 4% due to increased feedstock availability, while average selling prices decreased by 5%. MTBE sales volumes increased by 5% as a result of tightening market conditions due to steady demand, while average selling prices decreased by 7%.

For the year ended December 31, 2002, Base Chemicals segment EBITDA decreased $18.4 million to $44.7 million from $63.1 million for 2001. The decrease was primarily due to declines in average selling prices outpacing decreases in raw material prices for most Base Chemicals products, partially offset by cost savings resulting from our cost reduction program and increased demand for cyclohexane and MTBE. In the fourth quarter of 2002, raw material prices increased significantly as a result of the crude oil shortage caused by the strike in Venezuela and the uncertainty regarding war with Iraq. In addition, higher natural gas prices were experienced in the fourth quarter of 2002 due to the unusually cold start to the winter heating season.

Corporate and Other

Corporate and other includes corporate overhead, gain (loss) on the accounts receivable securitization program, minority interest in earnings of consolidated subsidiaries and unallocated foreign exchange gains and losses. EBITDA from corporate and other for the year ended December 31, 2002 increased by $98.5 million to an EBITDA loss of $132.6 million from an EBITDA loss of $231.1 million for 2001. The increase was due to a $61.5 million restructuring charge recorded in the 2001 period, a $41.9 million change in minority interest, a $5.6 million increase in loss on extinguishment of long-term debt, a decrease in equity losses of $55.4 million due to reduced losses of

HIH, and reductions in corporate overhead expenses of $22.0 million resulting from our cost reduction program. Additionally, we had $8.6 million in additional write-offs of accounts receivable balances in 2001 as compared with 2002, which resulted in lower corporate and other costs in 2002.

Liquidity and Capital Resources

Nine months ended September 30, 2004 (Historical) compared to nine months ended September 30, 2003 (Historical)

Net cash provided (used) by operating activities for the nine months ended September 30, 2004 and September 30, 2003 was $55.9 million and $(36.8) million, respectively. The variance is largely attributable to the HIH Consolidation Transaction and the AdMat Transaction that occurred in the 2003 period. The net loss in the 2004 period was $12.3 million higher than in the 2003 period. Offsetting this increased loss were net favorable variances in adjustments to reconcile net loss to net cash used in operating activities, including higher depreciation and amortization by $179.8 million in the 2004 period, higher non cash restructuring charges in the 2004 period by $96.7 million, and higher non cash interest expense by $73.5 million, partially offset by an unfavorable variance in the change in net operating assets and liabilities of $167.2 million in the 2004 period versus the 2003 period. In addition, there were unfavorable variances in adjustments for deferred income taxes and equity in (gain) loss of investment in unconsolidated affiliates of $28.0 million and $41.2 million, respectively.

Net cash used in investing activities for the nine months ended September 30, 2004 and September 30, 2003 was $160.7 million and $842.1 million, respectively. The variance is largely attributable to the HIH Consolidation Transaction and the AdMat Transaction that occurred in 2003. The investing activities for the nine months ended September 30, 2003 include the acquisition of minority interests in connection with the HIH Consolidation Transaction and the cash paid in connection with the AdMat Transaction. Capital expenditures in the 2004 period were $15.1 million higher in the 2004 period than in the 2003 period, largely attributable to the non-comparative nature of the 2003 results.

Net cash provided by financing activities for the nine months ended September 30, 2004 and September 30, 2003 was $128.2 million and $947.7 million, respectively. The variance is largely attributable to the HIH Consolidation Transaction and the AdMat Transaction that occurred in 2003. The financing activities for the nine months ended September 30, 2003 include (i) the issuance of the HMP Discount Notes and the HMP Warrants resulting in net cash proceeds of $415 million used to purchase the minority interests in HIH and to complete the purchase of senior subordinated discount notes of HIH, (ii) the issuance of $380 million in aggregate principal amount of the HLLC Senior Secured Notes, the net proceeds of which were used to repay indebtedness under the HLLC senior credit facilities and (iii) the issuance of $350 million in aggregate principal amount of the AdMat Senior Secured Notes (as defined below), the proceeds of which were used to acquire Advanced Materials in the AdMat Transaction. The financing activities for the nine months ended September 30, 2004, include (i) the refinancing of the HI credit facilities, (ii) the issuance of the HLLC Senior Notes in the aggregate principal amount of $400 million, the net proceeds of which were used to repay amounts outstanding under the Original HLLC Credit Facilities and the HCCA Facilities (each as defined below), (iii) the refinancing of the Australian senior credit facilities; and (iv) the repayment, in full, of $36.8 million on the senior unsecured notes of Huntsman Polymers Corporation ("Huntsman Polymers") with borrowings under the HLLC Credit Facilities.

Year ended December 31, 2003 (Historical) compared to year ended December 31, 2002 (Historical)

Net cash provided by operating activities for the years ended December 31, 2003 and December 31, 2002 was $225.4 million and $88.7 million, respectively. The variance is largely attributable to the HIH Consolidation Transaction and the AdMat Transaction that occurred in the 2003 period. The net loss in the 2003 period was $297.6 million higher than in the 2002 period. Offsetting this increased loss were net favorable variances in adjustments to reconcile net loss to net

cash provided by operating activities, including higher depreciation and amortization by $200.7 million in the 2003 period and higher non-cash interest expense by $96.2 million in the 2003 period. In addition, there was a favorable variance in the change in net operating assets and liabilities of $30.5 million in the 2003 period versus the 2002 period, a favorable variance in the adjustment to reconcile net loss to net cash provided by operating activities in the 2003 period of $169.7 million for cumulative effect of accounting change, and an unfavorable variance in the adjustment of the 2003 period for unrealized gains and losses on foreign currency transactions of $58.3 million.

Net cash used in investing activities for the years ended December 31, 2003 and December 31, 2002 was $908.5 million and $24.5 million, respectively. The increase was largely attributable to the acquisition of minority interests in connection with the HIH Consolidation Transaction as well as the cash paid in connection with the AdMat Transaction. In addition, capital expenditures were higher in 2003 primarily due to the incremental capital expenditures related to the HIH and Advanced Materials businesses.

Net cash provided by financing activities for the year ended December 31, 2003 was $786.7 million. For the year ended December 31, 2002, net cash used by financing activities was $93.0 million. The variance is largely attributable to the impact of the HIH Consolidation Transaction and the AdMat Transaction. The financing activities for the year ended December 31, 2003 include (i) the issuance of the HMP Discount Notes and the HMP Warrants resulting in net cash proceeds of $415 million, which were used to purchase the minority interests in HIH and complete the purchase of the HIH Senior Subordinated Discount Notes, (ii) the issuance of $455.4 million in aggregate principal amount of the HLLC Senior Secured Notes, the net proceeds of which were used primarily to repay indebtedness under the Original HLLC Credit Facilities (as defined below), (iii) the issuance of $350 million in aggregate principal amount of AdMat Senior Secured Notes (as defined below), the proceeds of which were used to acquire Advanced Materials and (iv) the issuance by HI of $205 million of additional term loans, the net proceeds of which were used to repay existing indebtedness.

Year ended December 31, 2002 (Historical) compared to year ended December 31, 2001 (Historical)

Net cash provided by (used in) operating activities for the years ended December 31, 2002 and 2001 was $88.7 million and $(287.0) million, respectively. The variance is largely attributable to a net loss for the year ended December 31, 2002 that was $820.5 million lower than in the 2001 period. Partially offsetting this decreased loss were net unfavorable variances in adjustments to reconcile net loss to net cash provided by operating activities, including lower non-cash restructuring expenses, plant closing and asset impairment charges of $533.5 million, an unfavorable variance in adjustment in 2002 for cumulative effect of accounting change of $169.6 million, lower depreciation and amortization expense of $44.8 million and lower equity in losses of investment in unconsolidated affiliates of $55.4 million. In addition, there was a favorable variance in adjustment to reconcile net loss to net cash provided by operating activities of $184.5 million for deferred income taxes, and in 2002 there was a net favorable variance in the change in net operating assets and liabilities of $151.4 million.

Net cash provided by (used in) investing activities for the years ended December 31, 2002 and 2001 were $(24.5) million and $86.2 million, respectively. The variance is primarily attributable to proceeds of $191.0 million from the sale of an investment in 2001 and proceeds of $22.8 million from the sale of exchangeable preferred stock in 2001.

Net cash provided by (used in) by financing activities for the years ended December 31, 2002 and 2001 were $(93.0) million and $182.2 million, respectively. The variance is primarily attributable to our improved operating cash flow in 2002 as discussed above, resulting in a net reduction of borrowings in 2002 versus net borrowings in 2001. During 2001, we used our revolving credit facility to fund our net loss and working capital needs. In addition, in December 2001, we had $110 million of term loan borrowings outstanding under a supplemental credit facility. On September 30, 2002, we borrowed approximately $60 million under a new HLLC revolving facility in connection with the closing of a debt

restructuring at HLLC. Such borrowings, together with available cash, were used to repay $110 million of term loan borrowings due on this supplemental credit facility in addition to funding other fees and expenses due at the closing of the restructuring. In addition, in 2001, we received $36.5 million in proceeds from the issuance of preferred stock and a subordinated note to an affiliated party and did not engage in any similar transactions in 2002.

Changes in Financial Condition

September 30, 2004 compared to December 31, 2003

The following information summarizes our working capital position as of September 30, 2004 and December 31, 2003 (in millions):

	September 30, 2004	December 31, 2003	Increase (Decrease)
Current assets:			
Cash, cash equivalents and restricted cash	$ 239.1	$ 208.3	$ 30.8
Accounts and notes receivables	1,403.3	1,102.7	300.6
Inventories	1,132.6	1,039.3	93.3
Prepaid expenses	70.6	39.6	31.0
Deferred income taxes	20.6	14.7	5.9
Other current assets	69.5	108.3	(38.8)
Total current assets	2,935.7	2,512.9	422.8
Current liabilities:			
Accounts payable	919.7	832.1	87.6
Accrued liabilities	689.8	702.0	(12.2)
Deferred income taxes	18.9	15.1	3.8
Notes payable and current portion of long-term debt	54.8	137.1	(82.3)
Total current liabilities	1,683.2	1,686.3	(3.1)
Working capital	$ 1,252.5	$ 826.6	$ 425.9

From December 31, 2003 to September 30, 2004, our working capital increased by $425.9 million as a result of the net impact of the following significant changes:

the increase in cash balances of $30.8 million resulted from the matters identified in the Consolidated Statement of Cash Flows contained in the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus;

the increase in accounts and notes receivables of $300.6 million is primarily due to higher average selling prices and higher sales volumes;

the increase in inventories of $93.3 million is mainly due to increases in raw material and energy costs;

the increase of $31.0 million in prepaid expenses is primarily due to the timing of payments and amortization of corporate insurance premiums in connection with our July 2004 policy renewal;

accounts payable increased by $87.6 million primarily as a result of increased raw material and energy costs; and

the decrease in current portion of long-term debt of $82.3 million is primarily attributable to the repayment of the 11¾% Senior Notes due 2004 of Huntsman Polymers (the "Huntsman Polymers Notes") of $36.8 million on January 28, 2004, and the refinancing of the HCCA Facility and the HCA Facilities, resulting in substantially all being classified as non-current at September 30, 2004. The entire balances of those facilities were classified as current as of December 31, 2003.

December 31, 2003 compared to December 31, 2002

The following information summarizes our working capital position as of December 31, 2003 and December 31, 2002 (in millions):

	December 31, 2003	December 31, 2002	Increase (Decrease)
Current assets:			
Cash, cash equivalents, and restricted cash	$ 208.3	$ 31.6	$ 176.7
Accounts and notes receivables	1,102.7	396.2	706.5
Inventories	1,039.3	298.1	741.2
Prepaid expenses	39.6	27.7	11.9
Deferred income taxes	14.7	13.0	1.7
Other current assets	108.3	2.2	106.1
Total current assets	2,512.9	768.8	1,744.1
Current liabilities:			
Accounts payable	832.1	242.6	589.5
Accrued liabilities	702.0	200.3	501.7
Deferred income taxes	15.1		15.1
Notes payable and current portion of long-term debt	137.1	169.5	(32.4)
Total current liabilities	1,686.3	612.4	1,073.9
Working capital	$ 826.6	$ 156.4	$ 670.2

From December 31, 2002 to December 31, 2003, our working capital increased by $670.2 million. This increase was primarily due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003. Excluding the impact of the HIH Consolidation Transaction and the AdMat Transaction on our working capital position at December 31, 2003, working capital decreased by $88.9 million. The $88.9 million decrease in working capital is a result of the following significant changes:

cash balances decreased by $1.6 million;

accounts and notes receivables increased $32.5 million primarily due to higher average selling prices, mainly in response to an increase in underlying raw material and energy costs;

inventories decreased by $2.1 million;

deferred income taxes changed from a deferred tax asset of $13.0 million to a liability of $0.4 million as a result of the matters identified in Note 15 to the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus;

prepaid and other current assets decreased by $1.5 million;

accounts payable increased by $16.2 million primarily due to higher raw material and energy costs;

accrued liabilities increased by $4.3 million; and

notes payable and current portion of long term debt increased by $68.4 million primarily due to a reclassification of $45.9 million of Australian-based debt to current and a reclassification of $36.8 million of Huntsman Polymers Notes to current which were due in December 2004 and which were redeemed in full prior to maturity in January 2004, which were partially offset by the prepayment of scheduled debt payments on the term portion of the HLLC Credit Facilities in 2003.

December 31, 2002 compared to December 31, 2001

The following information summarizes our working capital position as of December 31, 2002 and December 31, 2001 (in millions):

	December 31, 2002	December 31, 2001	Increase (Decrease)
Current assets:			
Cash, cash equivalents, and restricted cash	$ 31.6	$ 110.0	$ (78.4)
Accounts and notes receivables	396.2	364.3	31.9
Inventories	298.1	277.2	20.9
Prepaid expenses and other current assets	42.9	14.4	28.5
Total current assets	768.8	765.9	2.9
Current liabilities:			
Accounts payable	242.6	178.4	64.2
Accrued liabilities	200.3	217.0	(16.7)
Notes payable and current portion of long-term debt	169.5	2,313.9	(2,144.4)
Total current liabilities	612.4	2,709.3	(2,096.9)
Working capital	$ 156.4	$ (1,943.4)	$ 2,099.8

At December 31, 2002 our net working capital position was a positive $156.4 million as compared to a negative $1,943.4 million at December 31, 2001, resulting in an increase of $2,099.8 million. Our negative working capital as of December 31, 2001 was primarily due to the reclassification, prior to the debt restructuring at HLLC completed on September 30, 2002, of HLLC's long-term debt as current following certain defaults. The improvement in working capital is primarily attributable to the reclassification and reduction of such debt as a result of the HLLC debt restructuring. The change in working capital is a result of the following significant changes:

The decrease in cash balances of $78.4 million is primarily the result of matters identified in the Consolidated Statement of Cash Flows contained in the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus.

The increase in accounts receivable of $31.9 million is mainly due to the consolidation of our Australian subsidiary, HCPH Holdings Pty. Limited ("HCPH") which was previously accounted for as an investment using the equity method of accounting. In addition, increased revenues, partially offset by improved collections, contributed to the increase in receivables. The increase is also attributable to higher average selling prices, mainly due to higher underlying raw material prices.

The increase in inventory of $20.9 million was primarily due to the consolidation of HCPH in 2002, which was previously accounted for as an investment using the equity method of accounting and to higher raw material prices.

The increase in prepaid expenses and other current assets of $28.5 million is largely due to higher insurance policy renewals in July 2002.

The increase in trade accounts payable, including affiliates, of $64.2 million is primarily attributable to higher raw material and feedstock prices at December 31, 2002. Additionally, the consolidation of HCPH in 2002, which was previously accounted as an equity method investment, caused an increase in the payable balance.

The decrease in accrued liabilities of $16.7 million is primarily due to reductions associated with the HLLC debt restructuring in accrued interest on the HLLC senior subordinated notes and the Huntsman Polymers Notes, in addition to accrued default interest on the pre-restructured HLLC credit facilities. This change is also partly attributable to a decrease in

restructuring

reserves associated with our cost reduction program and decreased tax liabilities. These decreases were partially offset by an accrual for increased insurance premiums.

The decrease in notes payable and current portion of long-term debt of $2,144.4 million is primarily attributable to the reclassification of debt from current to long-term, together with the conversion of certain debt to equity as a result of the HLLC debt restructuring. Upon the completion of the HLLC debt restructuring, $678.8 million of principal of the HLLC Subordinated Notes and the Huntsman Polymers Notes was converted to equity, HLLC's $110.0 million term loan under its prior supplemental credit agreement was repaid and, as of December 31, 2002, approximately $1.4 billion of borrowings under the HLLC credit facilities were re-classified as long term. In addition, partially offsetting this decrease, the note payable of $105.7 million to ICI was contributed by MatlinPatterson as part of the HLLC debt restructuring.

Debt and Liquidity

Secured Credit Facilities

As of September 30, 2004, HLLC's credit facilities consisted of a revolving facility of up to $275 million maturing on June 30, 2006 and a term loan A of $606.3 million and a term loan B of $96.1 million maturing in March 2007 (together, the "Original HLLC Credit Facilities").

On October 14, 2004, HLLC completed a $1,065 million refinancing of the Original HLLC Credit Facilities. HLLC's credit facilities (as refinanced, the "HLLC Credit Facilities") now consist of a $350 million revolving facility due 2009 (the "HLLC Revolving Facility"), with an outstanding balance on October 14, 2004 of $105 million, and a $715 million term loan B facility due 2010 (the "HLLC Term Facility"). The HLLC Revolving Facility is secured by a first priority lien on substantially all of the current and intangible assets of HLLC and its restricted domestic subsidiaries and by a second priority lien on substantially all of the property, plant and equipment of HLLC and its restricted domestic subsidiaries and HLLC's equity interest in HIH. The HLLC Term Facility is secured by a first priority lien on substantially all of the property, plant and equipment of HLLC and its restricted domestic subsidiaries and HLLC's equity interest in HIH and by a second priority lien on substantially all of the current and intangible assets of HLLC and its restricted domestic subsidiaries. The proceeds of the refinancing were used to repay in full HLLC's outstanding borrowings under the Original HLLC Credit Facilities.

Borrowings under the new HLLC Revolving Facility are limited by a borrowing base consisting of eligible accounts receivable and inventory. The new HLLC Term Facility has scheduled annual amortization payments of approximately $7 million, with the remaining balance due at maturity. The HLLC Revolving Facility and HLLC Term Facility bear interest at LIBOR plus 2.25% per year and LIBOR plus 3.50% per year, respectively. In addition, the terms of the HLLC Term Facility provide for a reduction in interest rate margin to LIBOR plus 3.0% per year upon completion of this offering and the use of the net proceeds as described in "Use of Proceeds." The revolving credit and term loan agreements contain customary financial covenants, covenants relating to the incurrence of debt and the purchase and sale of assets, limitations on investments and affiliate transactions, change in control provisions, events of default and acceleration provisions. The HLLC Credit Facilities contain covenants that, as of September 30, 2004, require HLLC to maintain a leverage ratio of consolidated net debt to EBITDA (as defined in the HLLC Credit Facilities) equal to or less than 8.25 to 1.00 and an interest coverage ratio of consolidated EBITDA to cash interest expense (as defined in the HLLC Credit Facilities) equal to or greater than 1.30 to 1.00. As of September 30, 2004, HLLC's leverage ratio of consolidated net debt to EBITDA was 7.65 to 1.00, and its interest coverage ratio of consolidated EBITDA to cash interest expense was 1.53 to 1.00. In addition, the HLLC Credit Facilities contain a limit on calendar year consolidated capital expenditures (as defined in the HLLC Credit Facilities) of $155 million ($135 million annual allowance plus $20 million in prior year carryover) for 2004. For the

nine months ended September 30, 2004, HLLC's consolidated capital expenditures totaled $46.1 million.

On July 13, 2004, HI completed an amendment and restatement of its senior secured credit facility (the "HI Credit Facilities"). Pursuant to the amendment and restatement, the revolving loan facility (the "HI Revolving Facility") was reduced from $400 million to $375 million and its maturity was extended from June 2006 to September 2008. The HI Revolving Facility includes a $50 million multicurrency revolving loan facility available in euros, GBP Sterling and U.S. dollars. In addition, HI's then-existing term loans B and C, totaling $1,240.2 million, were repaid and replaced with the new term facility (the "HI Term Facility") consisting of a $1,305 million term portion and a €50 million (approximately $61.6 million) term portion. The additional proceeds from the HI Term Facility of approximately $126.6 million were applied to repay the $82.4 million of outstanding borrowings as of July 13, 2004 on the HI Revolving Facility and for general corporate purposes and to provide a portion of the funds for the construction of a polyethylene production facility at our Wilton, U.K. facility. The HI Credit Facilities are secured by a first priority lien on substantially all the assets of HIH, HI's domestic subsidiaries, and certain of HI's foreign subsidiaries.

Pursuant to the July 13, 2004 amendment and restatement of the HI Credit Facilities, interest rates on the HI Revolving Facility and the HI Term Facility decreased from a LIBOR spread of 3.50% and 4.125% to 3.25% and 3.25%, respectively. In addition, scheduled amortization of the HI Term Facility is approximately $13.7 million per year, commencing June 30, 2005, with the remaining unpaid balance due at maturity on December 31, 2010. Maturity will be accelerated to December 31, 2008 if HI has not refinanced all of the outstanding HI Senior Notes and HI Senior Subordinated Notes due 2009 (as defined below) on or before December 31, 2008 on terms satisfactory to the administrative agent under the HI Credit Facilities. On December 21, 2004, HI further amended the HI Credit Facilities to, among other things, reduce the applicable base (prime) rate margin for the term loan B dollar loans from a range of 1.75% to 2.00% to a range of 1.00% to 1.25% and to reduce the applicable Eurocurrency (LIBOR) rate margin for the term loan B dollar loans from a range of 3.00% to 3.25% to a range of 2.25% to 2.50%.

The HI Credit Facilities contain customary financial covenants, covenants relating to the incurrence of debt and the purchase and sale of assets, limitations on investments and affiliate transactions, change in control provisions, events of default and acceleration provisions. The amendment and restatement of the HI Credit Facilities amended certain financial covenants. These amendments, among other things, included changes to the maximum leverage ratio, the minimum interest coverage ratio, and provided for an increase in the permitted amount of annual consolidated capital expenditures from $250 million to $300 million, with a provision for carryover to subsequent years. In addition, the mandatory prepayment level in connection with HI's accounts receivable securitization program was increased from $310 million to $325 million. For more information, see " Liquidity and Capital Resources Off-Balance Sheet Arrangements" below. The HI Credit Facilities contain covenants that, as of September 30, 2004, require HI to maintain a leverage ratio of consolidated net debt to consolidated EBITDA (as defined in the HI Credit Facilities) equal to or less than 7.00 to 1.00 and an interest coverage ratio of consolidated EBITDA to consolidated cash interest expense (as defined in the HI Credit Facilities) equal to or greater than 1.70 to 1.00. As of September 30, 2004, HI's leverage ratio of consolidated net debt to consolidated EBITDA was 4.69 to 1.00, and its interest coverage ratio of consolidated EBITDA to consolidated cash interest expense was 2.54 to 1.00. In addition, the HI Credit Facilities contain a limit on calendar year consolidated capital expenditures (as defined in the HI Credit Facilities) of $400 million ($300 million annual allowance plus $100 million in prior year carryover) for 2004. For the nine months ended September 30, 2004, HI's consolidated capital expenditures totaled $96.1 million.

On June 30, 2003, Advanced Materials entered into a $60 million revolving credit facility (the "AdMat Revolving Credit Facility") with a maturity of June 30, 2007. As of September 30, 2004, Advanced Materials had no outstanding revolving borrowings under the AdMat Revolving Credit

Facility and approximately $10.9 million of outstanding letters of credit issued under such facility. The AdMat Revolving Credit Facility is secured by a first priority lien on substantially all the assets of Advanced Materials' domestic subsidiaries and certain of Advanced Materials' foreign subsidiaries.

The AdMat Revolving Credit Facility contains customary financial covenants, covenants relating to the incurrence of debt and the purchase and sale of assets, limitations on investments and affiliate transactions, change of control provisions, events of default and acceleration provisions. The AdMat Revolving Credit Facility contains covenants that, as of September 30, 2004, require Advanced Materials to maintain a leverage ratio of consolidated net debt to consolidated EBITDA (as defined in the AdMat Revolving Credit Facility) equal to or less than 4.50 to 1.00 and a fixed charge coverage ratio of consolidated EBITDA less consolidated capital expenditures to consolidated fixed charges (as defined in the AdMat Revolving Credit Facility) equal to or greater than 1.10 to 1.00. As of September 30, 2004, Advanced Materials' leverage ratio of consolidated net debt to consolidated EBITDA was 2.1 to 1.00, and its fixed charge coverage ratio of consolidated EBITDA less consolidated capital expenditures to consolidated fixed charges was 2.70 to 1.00. In addition, the AdMat Revolving Credit Facility contains a limit on calendar year consolidated capital expenditures (as defined in the AdMat Revolving Credit Facility) of $31.6 million ($25 million annual allowance plus $6.6 million in prior year carryover) for 2004. For the nine months ended September 30, 2004, Advanced Materials' consolidated capital expenditures totaled $7.3 million.

Notes

On September 30, 2003, HLLC sold $380 million aggregate principal amount of HLLC Senior Secured Notes due 2010 at an issue price of 98.8%. On December 3, 2003, HLLC sold an additional $75.4 million aggregate principal amount of HLLC Senior Secured Notes at an issue price of 99.5%. Interest on the HLLC Senior Secured Notes is payable semi-annually in April and October of each year. Net proceeds from the sale of these notes were used to repay amounts outstanding under the Original HLLC Credit Facilities and certain other indebtedness. The HLLC Senior Secured Notes rank pari passu with the HLLC Term Facility. The HLLC Senior Secured Notes are redeemable after October 15, 2007 at 105.813% of the principal amount thereof, declining ratably to par on and after October 15, 2009. At any time prior to October 15, 2006, HLLC may redeem up to 35% of the aggregate principal amount of the HLLC Senior Secured Notes at a redemption price of 111.625% of the principal amount thereof, plus accrued and unpaid interest to the redemption date with the net cash proceeds of a qualified equity offering. We intend to use a portion of the net proceeds from this offering to redeem $159.4 million in aggregate principal amount of these notes.

On June 22, 2004, HLLC sold $400 million of HLLC Senior Notes, consisting of $300 million of senior unsecured notes, which bear interest at 11.5% and mature on July 15, 2012 (the "HLLC Unsecured Fixed Rate Notes"), and $100 million of senior unsecured floating rate notes, which bear interest at a rate equal to LIBOR plus 7.25% and mature on July 15, 2011 (the "HLLC Unsecured Floating Rate Notes"). Interest on the HLLC Unsecured Fixed Rate Notes is payable semi-annually in January and July of each year, and interest on the Unsecured Floating Rate Notes is payable quarterly in January, April, July and October of each year. As of September 30, 2004, the interest rate on the HLLC Unsecured Floating Rate Notes was 8.8%. The net proceeds from the offering were used to repay amounts outstanding under the Original HLLC Credit Facilities and the HCCA Facilities (as defined below). The HLLC Senior Notes are unsecured obligations of HLLC. The HLLC Unsecured Fixed Rate Notes are redeemable after July 15, 2008 at 105.75% of the principal amount thereof, declining ratably to par on and after July 15, 2010. The HLLC Unsecured Floating Rate Notes are redeemable after July 15, 2006 at 104.0% of the principal amount thereof, declining ratably to par on and after July 15, 2008. At any time prior to July 15, 2007, HLLC may redeem up to 40% of the aggregate principal amount of the HLLC Unsecured Fixed Rate Notes, at a redemption price of 111.5% of the principal amount thereof, plus accrued and unpaid interest to the redemption date with the net cash proceeds of a qualified equity offering. We intend to use a portion of the net proceeds

from this offering to redeem $78 million in aggregate principal amount of the HLLC Unsecured Fixed Rate Notes. At any time prior to July 15, 2006, HLLC may also redeem up to 40% of the aggregate principal amount of the HLLC Unsecured Floating Rate Notes at a redemption price of 100% plus LIBOR plus 7.25% of the principal amount thereof plus accrued and unpaid interest to the redemption date with the net cash proceeds of a qualified public offering.

Under the terms of a registration rights agreement among HLLC, the guarantors of the HLLC Senior Notes and the initial purchasers of the HLLC Senior Notes, HLLC was required to file a registration statement relating to an exchange offer for the HLLC Senior Notes on or before November 19, 2004 (the "Filing Date"). Under the terms of the registration rights agreement, because HLLC did not file the registration statement by the Filing Date, it is required to pay additional interest on the HLLC Senior Notes at a rate of 0.25% per year for the first 90 day period following the Filing Date. HLLC expects to file the registration statement during the first quarter of 2005.

In March 2002, HI sold $300 million aggregate principal amount of HI Senior Notes due 2009. On April 11, 2003, HI sold an additional $150 million aggregate principal amount of the HI Senior Notes at an issue price of 105.25%. Net proceeds from the sale of these notes were used to repay amounts outstanding under the HI Credit Facilities. The HI Senior Notes are unsecured obligations of HI. Interest on the HI Senior Notes is payable semi-annually in March and September of each year. The HI Senior Notes are redeemable after March 1, 2006 at 104.937% of the principal amount thereof, declining ratably to par on and after March 1, 2008.

On December 17, 2004, HI completed an offering of $175 million of its $7^{3}/_{8}$% senior subordinated notes due 2015 and €135 million of its $7^{1}/_{2}$% senior subordinated notes due 2015. HI used all of the net proceeds to redeem part of its outstanding $10^{1}/_{8}$% senior subordinated notes due 2009 (the "HI Senior Subordinated Notes due 2009" and, together with the HI Senior Subordinated Notes due 2015, the "HI Senior Subordinated Notes"). At September 30, 2004, HI had outstanding $600 million and €450 million ($559.6 million, which includes $5.2 million of unamortized premium) of HI Senior Subordinated Notes due 2009. The HI Senior Subordinated Notes due 2009 became redeemable on July 1, 2004 at 105.063% of the principal amount thereof, which declines ratably to par on and after July 1, 2007. In advance of the issuance of the HI Senior Subordinated Notes due 2015, HI gave notice that it would redeem $231 million and €77 million of Senior Subordinated Notes due 2009 on December 31, 2004 and $2,947,000 and €982,000 of Senior Subordinated Notes due 2009 on January 3, 2005. HI completed these redemptions as scheduled. In connection with these redemptions, HI paid approximately $17.0 million and $0.2 million in U.S. dollar equivalents in redemption premiums on December 31, 2004 and January 3, 2005, respectively.

Following the partial redemptions of the HI Senior Subordinated Notes due 2009, HI has outstanding $366.1 million and €372 million of Senior Subordinated Notes due 2009 and $175 million and €135 million of Senior Subordinated Notes due 2015, for a combined total of $541.1 million and €507 million of Senior Subordinated Notes plus $5.2 million of unamortized premium. The $175 million and €135 million HI Senior Subordinated Notes due 2015 are redeemable on or after January 1, 2010 at 103.688% and 103.750%, respectively, of the principal amount thereof, which declines ratably to par on and after January 1, 2013. In addition, at any time prior to January 1, 2008, HI may redeem up to 40% of the aggregate principal amount of the $175 million and €135 million Senior Subordinated Notes due 2015 at redemption prices of 107.375% and 107.500% plus accrued and unpaid interest, respectively. The HI Senior Subordinated Notes are unsecured and interest is payable semi-annually in January and July of each year.

On June 30, 2003, in connection with the AdMat Transaction, Advanced Materials issued $350 million aggregate principal amount of its senior secured notes (the "AdMat Senior Secured Notes"), consisting of 11% fixed rate notes with an aggregate principal amount of $250 million due 2010 (the "AdMat Fixed Rate Notes") and floating rate notes with an aggregate principal amount of $100 million due 2008, which bear interest at a rate equal to LIBOR plus 8.00% (but not lower than

10.00%) (the "AdMat Floating Rate Notes"). The AdMat Floating Rate Notes were issued with an original issue discount of 2%, or for $98 million. As of September 30, 2004, the interest rate on the Floating Rate Notes was 10.0%. Interest on the AdMat Senior Secured Notes is payable semi-annually in January and July of each year. The AdMat Senior Secured Notes are secured by a second lien on substantially all of the assets that secure the AdMat Revolving Credit Facility and are guaranteed on a senior basis by the AdMat Guarantors. The AdMat Fixed Rate Notes are redeemable on or after July 15, 2007 at 105.5% of the principal amount thereof, declining ratably to par on or after July 15, 2009. The AdMat Floating Rate Notes are redeemable on or after July 15, 2005 at 105.0% of the principal amount thereof, declining ratably to par on or after July 15, 2007. At any time prior to July 15, 2006, Advanced Materials may redeem up to 35% of the aggregate principal amount of the AdMat Fixed Rate Notes at 111% of the principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds of a qualified equity offering. At any time prior to July 15, 2005, Advanced Materials may redeem up to 35% of the aggregate principal amount of the AdMat Floating Rate Notes at 111% of the principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds of a qualified equity offering.

Under the terms of a registration rights agreement among Advanced Materials, the AdMat Guarantors and the initial purchasers of the AdMat Senior Secured Notes, Advanced Materials was required to cause a registration statement relating to an exchange offer for the AdMat Senior Secured Notes to become effective on or before July 9, 2004 (the "Effectiveness Date") and to complete the exchange offer on or before August 23, 2004 (the "Completion Date"). Due to a delay in the completion of predecessor period audited financial statements for certain subsidiaries of Advanced Materials, the registration statement did not become effective by the Effectiveness Date and the exchange offer was not completed by the Completion Date. Accordingly, under the registration rights agreement, Advanced Materials was required to pay additional interest on the AdMat Senior Secured Notes at a rate of 0.25% per year for the first 90-day period following the Effectiveness Date and 0.50% per year for the second 90-day period and is currently paying additional interest at a rate of 0.75% per year. Once the registration statement becomes effective, Advanced Materials will be required to continue paying additional interest until the exchange offer is completed. Advanced Materials filed an amended registration statement on December 22, 2004 and expects that the exchange offer will be completed approximately 30 days after the registration statement becomes effective.

On September 30, 2004, HLLC had outstanding $44.2 million of 9.5% fixed rate and $15.1 million of variable rate senior subordinated notes due 2007 (collectively the "HLLC Subordinated Notes"). The HLLC Subordinated Notes are unsecured subordinated obligations of HLLC. Interest is payable on the HLLC Subordinated Notes semi-annually on January 1 and July 1 of each year at an annual rate of 9.5% on the fixed rate notes and LIBOR plus 3.25% on the floating rate notes. The HLLC Subordinated Notes are redeemable at the option of HLLC after July 1, 2002 at a price declining from 104.75% to 100% of par value as of July 1, 2005.

Discount Notes

On May 9, 2003, in connection with the HIH Consolidation Transaction, HMP issued HMP Discount Notes with an accreted value of $423.5 million and the HMP Warrants providing for the purchase of approximately 12% of HMP's common stock. Cash proceeds from the offering were $415 million. We have recorded the HMP Discount Notes at an original carrying value of $285.0 million, and we have recorded the HMP Warrants at an original carrying value of $130.0 million. As of September 30, 2004, the HMP Discount Notes had a book value of $389.5 million and an accreted value of $518.2 million. We intend to use the proceeds from the concurrent offerings to redeem the HMP Discount Notes in full.

On June 30, 1999, HIH issued the HIH Senior Discount Notes with initial stated value of $242.7 million. The HIH Senior Discount Notes are due December 31, 2009. Interest on the HIH Senior Discount Notes accrues at $13^{3}/_{8}$% per year and is paid in kind. As of September 30, 2004, the accreted value of the HIH Senior Discount Notes was $479.2 million. We intend to use the proceeds from the concurrent offerings to redeem all of the HIH Senior Discount Notes.

On July 2, 2001, HLLC entered into the HLLC Affiliate Note payable with Horizon Ventures LLC, an affiliated entity controlled by Jon M. Huntsman, in the amount of $25.0 million. The HLLC Affiliate Note is due and payable on the earlier of: (1) July 2, 2011, or (2) the date of repayment in full in cash of all indebtedness under the HLLC Credit Facilities and the HLLC Subordinated Notes. Interest is not paid in cash but is accrued at a designated rate of 15% per year, compounded annually. As of September 30, 2004, accrued interest added to the principal balance was $14.5 million. We intend to use the proceeds from the concurrent offerings to repay this note in full.

Other Debt

Certain of our Australian subsidiaries maintain credit facilities. Huntsman Australia Holdings Corporation ("HAHC") and certain of its subsidiaries hold our Australian surfactants assets. On August 31, 2004, Huntsman Corporation Australia Pty Ltd ("HCA"), an indirect subsidiary of HAHC, refinanced the secured credit facility of HAHC with a A$30.0 million ($21.4 million) revolving credit line supported by a borrowing base of eligible accounts receivable and inventory, and a A$44.0 million ($31.4 million) term facility (the "HCA Facilities"). As of September 30, 2004, borrowings under the HCA Facility totaled A$58.6 million ($41.9 million).

HCCA and certain Australian affiliates hold our Australian styrenics assets. On June 24, 2004, HLLC used $25 million of proceeds from the offering of the HLLC Senior Notes to repay a portion of the secured credit facilities of HCCA (the "HCCA Facilities"), including repaying in full the working capital facility and reducing the term facility to $14.4 million (A$20.9 million). On August 31, 2004, HCCA refinanced the HCCA Facilities with a A$30.0 million ($21.4 million) revolving credit line supported by a borrowing base of eligible accounts receivable (the "New HCCA Facility"). As of September 30, 2004, borrowings under the New HCCA Facility totaled A$17.2 million ($12.3 million).

The HCA Facilities and the New HCCA Facility are secured by a lien on substantially all their respective assets, bear interest at a rate of 2.9% above the Australian base rate and mature in August 2007. As of September 30, 2004, the interest rate on the HCA Facilities and the New HCCA Facility was 8.38%.

On March 21, 1997, Huntsman Specialty executed a 7.0% subordinated note in the amount of $75 million, payable to BASF Capital Corporation and maturing on April 30, 2008. Under the terms of the note, accrued interest from inception through April 30, 2002 was not paid in cash and was added to the note for a total principal amount of $106.6 million. Interest that accrued after April 30, 2002 is payable quarterly in cash, beginning on July 30, 2002. For financial reporting purposes, the note was initially recorded at its estimated fair value of $58.2 million, based on prevailing market rates at that time. As of September 30, 2004 and December 31, 2003, the unamortized discount on the note is $5.8 million and $6.9 million, respectively.

HI maintains a $25 million multicurrency overdraft facility for its European subsidiaries (the "HI European Overdraft Facility"), all of which was available as of September 30, 2004. As of December 31, 2003, HI had approximately $7.5 million outstanding under the HI European Overdraft Facility included within trade payables. The HI European Overdraft Facility is used for daily working capital needs.

As of September 30, 2004, HLLC had $24.3 million outstanding in short term notes payable for financing a portion of our insurance premiums. Such notes have monthly scheduled amortization payments through April 1, 2005, bear interest at rates ranging from 3.65% to 4.0%, and are secured by unearned insurance premiums.

Included within other debt is debt associated with one of HI's Chinese MDI joint ventures. In January 2003, HI entered into a joint venture agreement with Shanghai Chlor-Alkali Chemical Company, Ltd. to build MDI production facilities near Shanghai, China. HI owns 70% of the joint venture, Huntsman Polyurethanes Shanghai Ltd. (the "Chinese Splitting JV"), which is a consolidated affiliate. On September 19, 2003, the Chinese Splitting JV obtained secured financing for the construction of the production facilities consisting of various committed loans in the aggregate amount

of approximately $119 million in U.S. dollar equivalents. As of September 30, 2004, there were $7.0 million outstanding in U.S. dollar borrowings and 10.0 million in RMB borrowings ($1.2 million) under these facilities. The interest rate on these facilities is LIBOR plus 0.48% for U.S. dollar borrowings and 90% of the Peoples Bank of China rate for RMB borrowings. As of September 30, 2004, the interest rates for U.S. dollar borrowings and RMB borrowings were approximately 2.6% and 5.2%, respectively. The loans are secured by substantially all the assets of the Chinese Splitting JV and will be repaid in 16 semi-annual installments, beginning no later than June 30, 2007. The financing will be non-recourse to HI, but is guaranteed during the construction phase by us. We unconditionally guarantee 70% of any amounts due and unpaid by the Chinese Splitting JV under the loans described above. Our guarantee remains in effect until the Chinese Splitting JV has commenced production of at least 70% of capacity for at least 30 days and achieved a debt service coverage ratio of at least 1.5:1.

Receivables Securitization

HI has an accounts receivable securitization program, under which interests in certain of its trade receivables are transferred to a qualified off-balance sheet entity. As of September 30, 2004, the qualified off-balance sheet entity had issued $197 million in medium term notes and $37 million in commercial paper. See " Off-Balance Sheet Arrangements."

Short-Term and Long-Term Liquidity; Compliance with Covenants

We depend upon our credit facilities and other debt instruments to provide liquidity for our operations and working capital needs. As of September 30, 2004, we had approximately $905 million of combined cash and combined unused borrowing capacity, consisting of approximately $167 million attributable to HLLC, approximately $629 million attributable to HI and approximately $109 million attributable to Advanced Materials. In compliance with applicable provisions in its credit facilities, on December 31, 2004, HI prepaid $59 million on the HI Term Facility in the HI Term Repayment. Such prepayment has been applied in accordance with the provisions of the HI Credit Facilities in such a manner that there will be no scheduled maturities under the HI Credit Facilities due until June 2006 and such that all remaining scheduled maturities under the HI Term Facility shall be reduced pro rata.

We believe our current liquidity, together with funds generated by our businesses, is sufficient to meet the short-term and long-term needs of our businesses, including funding operations, making capital expenditures and servicing our debt obligations in the ordinary course. We believe that we are currently in compliance with the covenants contained in the agreements governing our senior secured credit facilities and the indentures governing our notes.

Certain Credit Support Issues

Our subsidiaries HIH and HI have not guaranteed or provided any other credit support to HLLC's obligations under the HLLC Credit Facilities or its outstanding notes, and HLLC has not guaranteed or provided any other credit support to the obligations of HI under the HI Credit Facilities or to the obligations of HI and HIH under their outstanding notes. Because of restrictions contained in the financing arrangements of HIH and HI, these subsidiaries are presently unable to make any loans or "restricted payments" to HLLC, including dividends, distributions or other payments in respect of equity interests or payments to purchase, redeem or otherwise acquire or retire for value any of their equity interests, subject to exceptions contained in such financing arrangements. Events of default under the HI Credit Facilities, or under the outstanding notes of HIH and HI or the exercise of any remedy by the lenders thereunder will not cause any cross-defaults or cross-accelerations under the HLLC Credit Facilities or HLLC's outstanding notes. Additionally, any events of default under the HLLC Credit Facilities or HLLC's outstanding notes or the exercise of any remedy by the lenders thereunder will not cause any cross-defaults or cross-accelerations under the outstanding notes of HIH or HI or the HI Credit Facilities, except insofar as foreclosure on certain subsidiary equity interests pledged to secure our obligations under the HLLC Credit Facilities or the HLLC 2003 Secured Notes, would constitute a "change of control" and an event of default under the HI Credit Facilities and

would give rise to certain put rights in favor of the holders of outstanding notes of HI or HIH. Advanced Materials is also financed separately from HLLC and HIH, HLLC and HIH's debt is non-recourse to Advanced Materials and Advanced Materials has no contractual obligation to fund HLLC or HIH's operations and vice versa.

Contractual Obligations and Commercial Commitments

Our obligations under long-term debt (including current portion), lease agreements and other contractual commitments as of December 31, 2003 are summarized below:

	2004	2005-2007	2008-2009	After 2009	Total
			(in millions)		
Long-term debt(1)	$ 135.1	$ 1,816.8	$ 3,209.1	$ 732.6	$ 5,893.6
Capital lease obligations	2.1	4.6	4.9	4.9	16.5
Operating leases	44.4	95.2	40.8	92.0	272.4
Purchase commitments(2)	1,069.4	1,956.6	300.4	356.4	3,682.8
Total(1)(3)	$ 1,251.0	$ 3,873.2	$ 3,555.2	$ 1,185.9	$ 9,865.3

(1) On a pro forma as adjusted basis, our obligations under our long-term debt (including current portion) and capital lease obligations as of September 30, 2004 would be as follows:

	2005-2007	2008-2009	After 2009	Total
		(in millions)		
Long-term debt and capital lease obligations	$ 213.3	$ 1,535.7	$ 3,260.1	$ 5,009.8
Interest on long-term debt, assuming September 30, 2004 interest rates on variable rate debt obligations	$ 1,190.3	$ 668.6	$ 457.7	$ 2,316.6

(2) We have various purchase commitments extending through 2017 for materials, supplies and services entered into in the ordinary course of business. Included in the purchase commitments table above are contracts which require minimum volume purchases that extend beyond one year or are renewable annually and have been renewed for 2004. Certain contracts allow for changes in minimum required purchase volumes in the event of a temporary or permanent shutdown of a facility. To the extent the contract requires a minimum notice period, such notice period has been included in the above table. The contractual purchase price for substantially all of these contracts is variable based upon market prices, subject to annual negotiations. We have estimated our contractual obligations by using the terms of our 2002 pricing for each contract. We also have a limited number of contracts which require a minimum payment, even if no volume is purchased. These contracts approximate $35 million annually through 2005, declining to approximately $16 million after 2011, and are included in the table above. We believe that all of our purchase obligations will be utilized in our normal operations.

(3) Totals do not include commitments pertaining to our pension and other postretirement obligations. Our estimated future obligations are as follows:

	2005-2007	2008-2009	Average Annual Amount For Next Five Years
		(in millions)	
Pension plans	$ 180.0	$ 166.6	$ 90.5
Other postretirement obligations	$ 31.9	$ 21.8	$ 11.1

Off-Balance Sheet Arrangements

Receivables Securitization

HI maintains an off-balance sheet receivables securitization facility to provide liquidity for its operations and working capital needs. Under the accounts receivable securitization facility, interests in certain of its trade receivables are transferred to a qualified off-balance sheet entity (the "Receivables Trust"). The Receivables Trust is not our affiliate. The acquisitions of these receivables by the Receivables Trust are financed through the issuance of dollar- or euro-denominated commercial paper and/or medium term notes of the Receivables Trust. The debt associated with the commercial paper and medium term notes is not reflected on HI's balance sheet. The accounts receivable securitization program is an important source of liquidity to HI.

A portion of the medium term notes (€90.5 million) is denominated in euros and is subject to fluctuation in currency rates versus the U.S. dollar. The total outstanding balance of medium term notes was approximately $197 million in U.S. dollar equivalents as of September 30, 2004. In addition to medium term notes, the Receivables Trust also maintains an annual commitment with a third party to issue commercial paper for an amount up to $125 million. As of September 30, 2004, the total outstanding balance of such commercial paper was approximately €30 million ($37 million). The commercial paper facility matures on March 31, 2007, and the medium term notes mature in June 2006.

Subject to the annual seasonality of HI's accounts receivable, we estimate that the total availability to HI from the sale of accounts receivable under the securitization program may range between $280 million to $325 million (the mandatory prepayment limit under the HI Credit Facilities see further discussion below) at certain periods during a calendar year. The weighted average interest rates on the medium term notes and commercial paper was approximately 2.5% as of September 30, 2004. Losses on the accounts receivable securitization program in the nine months ended September 30, 2004 were $10.2 million. Losses on the accounts receivable securitization program include the discount on receivables sold into the program, fees and expenses associated with the program and gains (losses) on foreign currency hedge contracts mandated by the terms of the program to hedge currency exposures on the collateral supporting the off-balance sheet debt issued. For the nine months ended September 30, 2004, losses on the accounts receivable securitization program include losses of $1.0 million on foreign currency hedge contracts mandated by the accounts receivable securitization program. We believe that the multicurrency commercial paper facility discussed above has enabled it to better naturally hedge the off-balance sheet debt to the underlying collateral supporting such debt and thereby reduce the impact on, and need for, foreign currency hedges as experienced in prior periods under the accounts receivable securitization program.

The HI Credit Facilities require a mandatory prepayment to the extent that the proceeds to HI from the sale of accounts receivable under the securitization program exceed $325 million at any time, except if such excess is attributed to the change in foreign currency rates within a 30-day period. HI does not guarantee the medium term notes or commercial paper issued under the program, but HI is responsible for dilution adjustments and ensuring that the collection policies relating to the receivables are followed. HI also indemnifies the Receivables Trust if account debtors raise defenses, disputes, offsets or counterclaims, HI breaches its administrative and other obligations with respect to accounts or an account ceases to be an eligible receivable for purposes of the program. In addition, while HI does not anticipate it, if at any time it were unable to sell sufficient receivables into the program to support the volume of commercial paper and medium term notes issued under the program, HI may be required to inject cash into the program as collateral. Under such circumstance, and depending on the timing of such circumstance, the requirement to provide cash collateral to the program could have a negative effect on our liquidity.

Financing of Chinese MDI Facilities

In 2003, we entered into two related joint venture agreements to build MDI production facilities near Shanghai, China. One joint venture, with BASF AG and three Chinese chemical companies, and known as Shanghai Lianheng Isocyanate Company Limited (the "Chinese Manufacturing JV"), will build three plants to manufacture MNB, aniline, and crude MDI. We effectively own 35% of the Chinese Manufacturing JV. The Chinese Splitting JV, the other joint venture with Shanghai Chlor-Alkali Chemical Company, Ltd., will build a plant to manufacture pure MDI, polymeric MDI and MDI variants. We own 70% of the Chinese Splitting JV.

On September 19, 2003, the joint ventures obtained secured financing for the construction of the production facilities. The Chinese Splitting JV is our consolidated subsidiary, and the details of its financing are described in " Debt and Liquidity Other Debt" above. The Chinese Manufacturing JV is not our consolidated subsidiary. The Chinese Manufacturing JV obtained various committed loans in the aggregate amount of approximately $224 million in U.S. dollar equivalents. As of September 30, 2004, there were no outstanding U.S. dollar borrowings and 30 million in outstanding RMB ($3.6 million) borrowings under these facilities. The interest rate on these facilities is LIBOR plus 0.48% for U.S. dollar borrowings and 90% of the Peoples Bank of China rate for RMB borrowings. The loans are secured by substantially all the assets of the Chinese Manufacturing JV and will be paid in 16 semi-annual installments, beginning no later than June 30, 2007. The financing will be non-recourse to us, but during the construction phase we unconditionally guarantee 35% of any amounts due and unpaid by the Chinese Manufacturing JV under the loans described above (except for a VAT facility of approximately $1.5 million which is not guaranteed). Our guarantee remains in effect until the Chinese Manufacturing JV has commenced production of at least 70% of capacity for at least 30 days and achieved a debt service coverage ratio of at least 1:1. As noted above in "Debt and Liquidity Other Debt," we also unconditionally guarantee 70% of the amounts due and unpaid by the Chinese Splitting JV.

Restructuring and Plant Closing Costs

During the periods discussed below, we have pursued two major cost reduction programs to improve operational efficiencies, the HLLC Restructuring (2001-2002) and Project Coronado (2003-2004). We have conducted, and with respect to Project Coronado continue to conduct, numerous discrete, but frequently individually immaterial, restructuring projects in connection with these two major programs.

As of September 30, 2004, accrued restructuring and plant closing costs by type of cost and activity 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, 2001	$	$	$	$	$
Charges for 2001 activities	44.2	2.8	6.9	6.4	60.3
Payments(3)					
Accrued liabilities as of December 31, 2001	44.2	2.8	6.9	6.4	60.3
Charges for 2001 activities		1.0	(4.6)	(1.7)	(5.3)
Charges for 2002 activities	1.6	2.7			4.3
Payments for 2001 activities(3)	(40.3)	(0.5)	(1.7)	(4.7)	(47.2)
Payments for 2002 activities(3)	(1.6)	(2.7)			(4.3)
Accrued liabilities as of December 31, 2002	3.9	3.3	0.6		7.8
HIH balance at consolidation on May 1, 2003(4)	24.2				24.2
AdMat opening balance sheet liabilities at June 30, 2003(5)	53.2	1.5		6.1	60.8
Charges for 2001 activities	(2.0)	(0.3)	(0.2)		(2.5)
Charges for 2003 activities	28.1				28.1
Payments for 2001 activities(3)	(1.9)	(0.4)	(0.2)		(2.5)

Payments for 2003 activities(3)	(39.1)				(39.1)
Accrued liabilities as of December 31, 2003	66.4	4.1	0.2	6.1	76.8
Adjustment to the opening balance sheet of AdMat	0.6			2.0	2.6
Charges for 2003 activities	27.2				27.2
Charges for 2004 activities	60.8	1.9		3.5	66.2
Payments for 2001 activities(3)			(0.2)		(0.2)
Payments for 2003 activities(3)	(27.3)	(0.2)		(7.5)	(35.0)
Payments for 2004 activities(3)	(20.3)				(20.3)
Accrued liabilities as of September 30, 2004	$ 107.4	$ 5.8	$	$ 4.1	$ 117.3

(1) Substantially all of the employees terminated in connection with the restructuring programs were terminated under ongoing termination benefit arrangements. Accordingly, the related liabilities were accrued as a one-time charge to earnings in accordance with Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits."

	2001	2002	2003	2004
(2) Accrued liabilities by activities as of December 31, are as follows:				
2001 activities	$ 60.3	$ 7.8	$ 2.8	$ 2.6
2002 activities				
2003 activities			74.0	68.8
2004 activities				45.9
Total	$ 60.3	$ 7.8	$ 76.8	$ 117.3

(3) Includes impact of foreign currency translation.

(4) Prior to May 1, 2003, our investment in HIH was recorded on the equity method. Effective May 1, 2003, HIH is recorded as a consolidated subsidiary. HIH accrued liabilities for workforce reductions include a $7.1 million liability at December 31, 2002 related to a prior period and a $19.1 million charge recorded in the first quarter of 2003 offset by $2.0 million in cash payments through May 1, 2003.

(5) Advanced Materials' restructuring liabilities were recorded on its opening balance sheet.

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

	Polyurethanes	Advanced Materials	Performance Products	Pigments	Base Chemicals	Polymers	Total
Accrued liabilities as of January 1, 2001	$	$	$	$	$	$	$
Charges for 2001 activities					35.2	25.1	60.3
Payments(2)							
Accrued liabilities as of December 31, 2001					35.2	25.1	60.3
Charges for 2001 activities						(5.3)	(5.3)
Charges for 2002 activities			4.3				4.3
Payments for 2001 activities(2)					(30.2)	(17.0)	(47.2)
Payments for 2002 activities(2)			(4.3)				(4.3)
Accrued liabilities as of December 31, 2002					5.0	2.8	7.8
HIH balance at consolidation on May 1, 2003	24.2						24.2
AdMat opening balance sheet liabilities at June 30, 2003		60.8					60.8
Charges for 2001 activities					(2.5)		(2.5)
Charges for 2003 activities	10.9		10.7	6.5			28.1
Payments for 2001 activities(2)					(2.5)		(2.5)
Payments for 2003 activities(2)	(19.3)	(9.3)	(8.3)	(2.2)			(39.1)
Accrued liabilities as of December 31, 2003	15.8	51.5	2.4	4.3		2.8	76.8
Adjustments to the opening balance sheet of AdMat		2.6					2.6
Charges for 2003 activities			17.5	9.7			27.2
Charges for 2004 activities(1)	24.8		7.3	20.9	9.1	4.1	66.2
Payments for 2001 activities(2)						(0.2)	(0.2)
Payments for 2003 activities(2)	(6.3)	(23.0)	(1.7)	(4.0)			(35.0)
Payments for 2004 activities(2)	(6.0)		(2.4)	(8.2)		(3.7)	(20.3)
Accrued liabilities as of September 30, 2004	$ 28.3	$ 31.1	$ 23.1	$ 22.7	$ 9.1	$ 3.0	$ 117.3
Current portion of restructuring reserve	$ 28.3	$ 31.1	$ 23.1	$ 22.7	$ 9.1	$ 3.0	$ 117.3
Long-term portion of restructuring reserve							
Estimated additional future charges for current restructuring projects:							
Estimated additional charges within one year							
Cash charges	$ 9.0	$	$ 20.0	$ 9.0	$ 5.0	$ 1.0	$ 44.0
Noncash charges			31.0				31.0
Estimated additional charges beyond one year							
Cash charges	$	$	$	$	$	$	$
Noncash charges							

(1) Does not include non-cash charges of $109.0 million for asset impairments and write downs.

(2) Includes impact of foreign currency translation.

The following table sets forth the expected effects from our restructuring and plant closing activities in process as of September 30, 2004:

	Year Ending December 31,	
	2005	2006
	(in millions)	
Expected increase (decrease) from restructuring and plant closing activities on:		
Revenues	$ (22)	$ (43)
Cost of goods sold	(86)	(136)
Gross profit	64	93
Selling, general and administrative expenses	(10)	(21)
Operating income	74	114
Net cash provided by operating activities	$ (38)	$ 105

The foregoing are estimates and are subject to risks and uncertainties. We cannot assure you that the actual effects from our restructuring and plant closing activities will be consistent with the foregoing estimates.

Restructuring Activities for the Nine Months Ended September 30, 2004

As of September 30, 2004 and December 31, 2003, we had reserves for restructuring and plant closing costs of $117.3 million and $76.8 million, respectively. During the nine months ended September 30, 2004, we, on a consolidated basis, recorded additional reserves of $93.4 million, including reserves for workforce reductions, demolition and decommissioning and other restructuring costs associated with closure or curtailment of activities at our smaller, less efficient manufacturing facilities. During the 2004 period, we made cash payments against these reserves of $55.5 million. We anticipate that the various projects which we commenced in 2004 will generate additional future earnings and cash flow which will allow us to recover our costs, on average, within a one to two year period.

As of December 31, 2003, the Polyurethanes segment reserve consisted of $15.8 million related to the restructuring activities at the Rozenburg, Netherlands site (as announced in 2003), the workforce reductions throughout the Polyurethanes segment (as announced in 2003), and the closure of the Shepton Mallet, U.K. site (as announced in 2002). During the nine months ended September 30, 2004, the Polyurethanes segment recorded additional restructuring charges of $24.8 million and made cash payments of $12.3 million. In the first quarter of 2004, the Polyurethanes segment recorded restructuring expenses of $4.8 million, all of which are payable in cash. In the second quarter of 2004, the Polyurethanes segment announced restructuring charges of $18.1 million, all of which are payable in cash. During the third quarter of 2004, the Polyurethanes segment recorded additional restructuring expenses of $9.9 million, of which $1.9 million are payable in cash and the remainder is an impairment of its West Deptford, New Jersey site. These restructuring activities are expected to result in additional restructuring charges of approximately $9 million through 2005 and result in workforce reductions of approximately 160 positions, of which 52 positions have been reduced during the nine months ended September 30, 2004. As of September 30, 2004, the Polyurethanes segment restructuring reserve totaled $28.3 million.

In connection with the AdMat Transaction, we are implementing a substantial cost reduction program. The program includes reductions in costs in the Advanced Materials segment's global supply chain, reductions in general and administrative costs across the business and the centralization of operations where efficiencies may be achieved. The cost reduction program is expected to continue through June 2005 and is estimated to involve $63.5 million in total restructuring costs, all of which were recorded in the opening balance sheet. The program will result in approximately $53.9 million in costs for workforce reduction and approximately $9.6 million in costs to close plants and discontinue certain service contracts worldwide. The Advanced Materials segment reduced workforce by 188

positions and 151 positions during the six months ended December 31, 2003 and the nine months ended September 30, 2004, respectively.

As of December 31, 2003, the Performance Products segment reserve consisted of $2.4 million relating to the closure of a number of plants at the Whitehaven, U.K. facility, the closure of an administrative office in London, U.K., the rationalization of a surfactants technical center in Oldbury, U.K., and the restructuring of a facility in Barcelona, Spain. During the nine months ended September 30, 2004, the Performance Products segment accrued restructuring charges of $41.2 million consisting of cash charges of $24.8 million and $16.4 million of asset impairment. During the second quarter 2004, the Performance Products segment recorded charges of $20.9 million, of which $5.1 million were payable in cash. These charges primarily related to the announced the closure of our Guelph, Ontario, Canada Performance Products manufacturing facility, involving a restructuring charge of $20.2 million consisting of a $15.8 million asset impairment and $4.4 million of charges payable in cash. Production will be moved to our other larger, more efficient facilities. Workforce reductions of approximately 66 positions are anticipated. During the third quarter of 2004, we adopted a plan to reduce the workforce across all locations in our European surfactants business by approximately 250 positions. A restructuring charge of $17.5 million was recorded consisting entirely of severance charges to be paid in cash. During the third quarter of 2004, we also announced the closure of our maleic anhydride briquette facility in Queeny, Missouri and recorded a restructuring charge of $1.5 million which consisted of a $0.6 million asset impairment and a charge payable in cash of $0.9 million. During the third quarter of 2004, we also announced the closure of our technical facility in Austin, Texas and recorded a restructuring charge of $1.3 million which is payable in cash. During the nine months ended September 30, 2004, we made cash payments of $4.1 million related to restructuring activities. These restructuring activities are not expected to result in additional charges. The Performance Products segment reserve totaled $23.1 million as of September 30, 2004.

On October 27, 2004, we adopted a plan to rationalize the Whitehaven, U.K. surfactants operations of our Performance Products segment. The plan includes the closure of substantially all of our Whitehaven, U.K. surfactants manufacturing facility and the reduction of approximately 70 positions at the facility. The rationalization is part of a reorganization of our European surfactants business which is expected to reduce an additional 250 positions over a period of 15 months at facilities throughout Europe. In connection with the rationalization of the Whitehaven facility, we expect to recognize a restructuring charge of approximately $51 million in the fourth quarter of 2004, of which approximately $20 million is expected to be payable in cash.

As of December 31, 2003, the Polymers segment reserve consisted of $2.8 million related to its demolition and decommissioning of the Odessa, Texas styrene manufacturing facility and non-cancelable lease costs. During the nine months ended September 30, 2004, the Polymers segment recorded restructuring expenses related to the closure of an Australian manufacturing unit of $7.6 million and made cash payments of $3.9 million related to these restructuring activities. Of the $7.6 million of restructuring expenses, $5.2 million were recorded in the second quarter and $2.4 million were recorded in the third quarter, and $4.1 million are payable in cash. These restructuring activities are expected to result in additional charges of less than $1.0 million through 2005 and in workforce reductions of approximately 23 positions. The Polymers segment reserve totaled $3.0 million as of September 30, 2004.

As of September 30, 2004 and December 31, 2003, the Pigments segment reserve consisted of $22.7 million and $4.3 million, respectively. During the nine months ended September 30, 2004, the Pigments segment recorded additional restructuring charges of $111.7 million and made cash payments of $12.2 million. In the first quarter of 2004, the Pigments segment recorded restructuring expenses of $3.9 million, all of which are payable in cash. In the second quarter of 2004, the Pigments segment recorded restructuring expenses of $104.2 million, of which $81.1 million is not payable in cash. In the fourth quarter of 2004, following a review of the Pigments business, we idled approximately 55,000 tonnes, or about 10%, of our total titanium dioxide production capacity. As a result of this decision,

which we made in April 2004, we have recorded a restructuring charge of $17.0 million to be paid in cash, a $77.2 million asset impairment charge and a $3.9 million charge for the write-off of spare parts inventory and other assets. Concerning the impairment charge, we determined that the value of the related long-lived assets was impaired and recorded the non-cash charge to earnings for the impairment of these assets. The fair value of these assets for purposes of measuring the impairment was determined using the present value of expected cash flows. Additional second quarter 2004 restructuring activities resulted in a charge of $6.1 million, all of which is payable in cash. In the third quarter of 2004, the Pigments segment recorded restructuring expenses of $3.6 million, all of which are payable in cash, related to workforce reductions at several of its locations worldwide. These restructuring activities are expected to result in additional restructuring charges of approximately $9 million through 2005 and result in workforce reductions of approximately 475 positions, of which 180 positions have been reduced during the nine months ended September 30, 2004.

As of September 30, 2004 and December 31, 2003, the Base Chemicals segment reserve consisted of $9.1 million and nil, respectively, related to workforce reductions arising from the announced change in work shift schedules and in the engineering and support functions at the Wilton and North Tees, U.K. facilities. During the nine months ended September 30, 2004, the Base Chemicals segment recorded restructuring charges of $9.1 million, all of which is payable in cash; $2.2 million of these charges were recorded in the second quarter and $6.9 million were recorded in the third quarter of 2004. These restructuring activities are expected to result in additional charges of approximately $5 million and in workforce reductions of approximately 100 positions through 2005.

Restructuring Activities for the Year Ended December 31, 2003

On March 11, 2003 (before HIH was consolidated into us), the Polyurethanes segment announced that it would integrate its global flexible products unit into its urethane specialties unit, and recorded a restructuring charge of $19.2 million for workforce reductions of approximately 118 employees. During the remainder of the year, charges of $8.9 million were taken for workforce reductions relating to this restructuring at the Rozenberg, Netherlands site.

In June 2003, we announced that our Performance Products segment would close a number of plants at its Whitehaven, U.K. facility and recorded a charge of $20.1 million in the second quarter 2003. This charge represents $11.4 million relating to an impairment of assets at Whitehaven (in connection with the plant shutdowns) and $8.7 million of workforce reduction costs. We also recorded a $2.0 million charge in respect of severance costs arising from the closure of an administrative office in London, U.K., the rationalization of our surfactants technical center in Oldbury, U.K., and the restructuring of our facility in Barcelona, Spain. These charges are part of an overall cost reduction program for this segment that is expected to be implemented through 2005.

In August 2003, we recorded a restructuring charge of $6.5 million related to workforce reductions of approximately 63 employees across our global Pigments operations. The overall cost reduction program to be completed from 2003 to 2005 for the Pigments segment will involve 250 employees and is estimated to cost an additional $16.5 million. At December 31, 2003, $4.3 million remains in the reserve for restructuring and plant closing costs related to these restructuring activities.

In connection with the AdMat Transaction, we are implementing a substantial cost reduction program. The program will include reductions in costs of our global supply chain, reductions in general and administrative costs across the business and the centralization of operations where efficiencies may be achieved. The cost reduction program is expected to be implemented through June 2005 and is estimated to involve $60.8 million in total restructuring costs. As part of the program, we expect to incur approximately $53.2 million to reduce headcount and to incur approximately $7.6 million to close plants and discontinue certain service contracts worldwide. We reduced 188 staff in the six months ended December 31 2003. Payments of restructuring and plant closing costs were recorded against reserves established in connection with recording the AdMat Transaction as a purchase business combination. At December 31, 2003, $51.5 million remains in the reserve for restructuring and plant

closing costs related to the cost reduction program. We expect to finalize our restructuring plans by June 30, 2004. Accordingly, the reserve for restructuring and plant closing costs are subject to revision based on final assessment.

Restructuring Activities for the Year Ended December 31, 2002

During 2002, we announced that we would be closing certain units at our Jefferson County and Canadian plants, primarily in the Performance Products business. As a result, we recorded accrued severance and shutdown costs of $4.3 million substantially all of which had not been paid at December 31, 2002. The net effect of 2002 unit closing costs and the reversal of restructuring charges discussed in " 2001 Restructuring Activities" below is to reflect $1.0 million in income in 2002 and to reflect a $7.8 million accrual at December 31, 2002.

Restructuring Activities for the Year Ended December 31, 2001

During 2001, we initiated a restructuring plan closing certain manufacturing units and eliminating sales and administrative positions. In addition, we recorded an asset impairment charge related to fixed assets and goodwill. The restructuring charge, which was recorded in several phases during the year, included the closure of a styrene production unit located in Odessa, Texas, the closure of the polypropylene Line 1 unit located in Odessa, Texas (which represents approximately 30% of the Odessa facility's current total capacity), the write-off of the flexible polyolefins unit located in Odessa, Texas which was under evaluation for alternative product use and the write-off of the manufacturing facility in Austin, Texas. The total write-off of property, plant and equipment as a result of the closures was $102.6 million.

In connection with the closures, we recorded accruals for decommissioning costs, non-cancelable lease charges and provided for the write off of unusable material and supplies inventory. We also wrote off $33.8 million of goodwill related to the closures.

As a result of the plant closings and the elimination of redundant costs in the maintenance, technical services and overhead cost structure, approximately $44.2 million was accrued for severance, fringe benefits and outplacement costs. The program resulted in a workforce reduction of approximately 800 manufacturing, sales, general and administrative and technical employees. The restructuring plan was substantially completed by the second quarter of 2002.

Under SFAS No. 121, *"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,"* companies must review the carrying amount of long-lived assets and certain intangibles, including related goodwill, whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable.

We recorded an asset impairment charge of $385.4 million in the fourth quarter of 2001 related to property, plant and equipment of the Polymers segment. During 2001, the Polymers segment experienced significant declines in sales prices and operating cash flow. The declining results were primarily due to lower sales prices, coupled with difficulty in passing on raw material and energy costs to customers. The lower sales prices were primarily due to decreased demand in industrial and consumer related applications, which resulted in increased competition and reduced operating rates. In early October 2001, as a result of the above factors and as part of our restructuring efforts, we performed a review of our remaining polyethylene, polypropylene and amorphous polyalphaolefin businesses. During this time, we engaged a financial advisor and investment banker to assist us and our domestic subsidiaries in identifying and exploring strategic alternatives, including developing out of court or court sanctioned financial restructuring plans. In February 2002, the financial advisor provided a valuation report to our management, which indicated an impairment of the Polymers assets. As a result, in the fourth quarter of 2001 it became necessary to assess the Polymers fixed assets for impairment as required under SFAS No. 121.

We performed an evaluation of the recoverability of all the assets of the Polymers business in accordance with SFAS No. 121. An impairment charge was required as a result of this evaluation as the

estimated fair value of the Polymers assets was less than their carrying value. The fair value of the Polymers net assets was determined by discounting the estimated future cash flows using a discount rate commensurate with the risks involved.

Our non-cash restructuring costs and impairment charges have been recorded against the following accounts: $488.0 million against property, plant and equipment; $33.8 million against goodwill; $6.4 million against inventories; and $55.0 million against accrued liabilities.

Capital Expenditures

Nine Months Ended September 30, 2004

Capital expenditures for the nine months ended September 30, 2004 and September 30, 2003 were $145.0 million and $129.9 million, respectively. The increase is largely attributable to the HIH Consolidation Transaction effective May 2003 and the AdMat Transaction effective June 30, 2003.

At HIH, capital expenditures for the nine months ended September 30, 2004 were $91.6 million, a decrease of approximately $4.1 million compared to the same period in 2003. At HLLC (excluding HIH), capital expenditures for the nine months ended September 30, 2004 were $46.1 million, a decrease of approximately $18.5 million compared to the same period in 2003. This decrease was largely attributable to increased capital expenditures in the 2003 period relating to implementation of our North American SAP system. At Advanced Materials, capital expenditures for the nine months ended September 30, 2004 were $7.3 million, a decrease of approximately $0.2 million compared to the same period in 2003.

We expect to spend approximately $230 million to $240 million during 2004 on capital projects, which includes any expenditures for the LDPE facility at Wilton, U.K. discussed below. During 2004, we expect to spend approximately $25 million to fund our Chinese MDI joint ventures, which includes approximately $13 million in the Chinese Splitting JV as capital expenditures and approximately $12 million in the Chinese Manufacturing JV as an investment in unconsolidated affiliates. We expect to fund up to a total of approximately $85 million to the Chinese MDI joint ventures over the next several years, approximately $43 million in the Chinese Splitting JV as capital expenditures and approximately $42 million in the Chinese Manufacturing JV as an investment in unconsolidated affiliates.

We believe that the cost position of our Wilton, U.K. olefins facility uniquely positions it to be the site of a polyethylene production facility. While we export approximately one-third of our ethylene production each year to continental Europe, incurring significant shipping and handling costs, the U.K. annually imports approximately 1.9 billion pounds of polyethylene. We believe this provides an opportunity to capitalize on the low-cost operating environment and extensive petrochemical infrastructure and logistics at Wilton, as supported by a feasibility study that was conducted with respect to the construction of a world-scale LDPE facility at our Wilton site. The LDPE facility will have the capacity to produce approximately 900 million pounds of LDPE annually and is estimated to cost $300 million to construct net of any grant proceeds obtained. HI has been awarded a grant of £16.5 million (approximately $30 million) from the U.K. Government's Department of Trade and Industry to finance a portion of the construction of the LDPE facility. We expect construction of the LDPE facility to be complete in late 2007.

In connection with our joint ventures with Rubicon LLC and Louisiana Pigment Company, L.P., we are obligated to fund our proportionate share of capital expenditures. During the nine months ended September 30, 2004 and 2003, we invested $1.8 million and $2.2 million, respectively, in Rubicon LLC. With respect to Louisiana Pigment, during the nine months ended September 30, 2004 and 2003, we received $9.1 million and $2.1 million, respectively.

We expect to finance our capital expenditure commitments through a combination of our financing arrangements and cash flow from operations.

Year Ended December 31, 2003

Consolidated capital expenditures for the years ended December 31, 2003 and December 31, 2002 were $191.0 million and $70.2 million, respectively. The increase is largely attributable to the HIH Consolidation Transaction effective May 2003 and the AdMat Transaction effective June 30, 2003.

At HIH, capital expenditures for the year ended December 31, 2003 were $127.4 million, a decrease of approximately $63.1 million compared to the same period in 2002. The decrease was largely attributable to increased expenditures in the 2002 period in connection with the ICON modernization and the expansion of the titanium dioxide manufacturing facility at Greatham, U.K., and the SAP project within our Pigments segment. At HLLC (excluding HIH), capital expenditures for the year ended December 31, 2003 were $89.7 million, an increase of approximately $19.5 million compared to the same period in 2002. This increase was largely attributable to increased capital expenditures in the 2003 period in connection with the planned turnaround and inspection of our Port Arthur, Texas Olefins unit, the implementation of our North American SAP system, and a return to a more normalized level of expenditures. At Advanced Materials, capital expenditures for the year ended December 31, 2003 were $11.8 million, a decrease of approximately $12.2 million compared to the same period in 2002. This decrease was largely attributable to liquidity management efforts.

Recently Issued Financial Accounting Standards

In January 2003, the Financial Accounting Standards Board ("FASB") issued Financial Interpretation No. ("FIN") 46, "*Consolidation of Variable Interest Entities*." FIN 46 addresses the requirements for business enterprises to consolidate related entities, for which they do not have controlling interests through voting or other rights, if they are determined to be the primary beneficiary as a result of variable economic interests. Transfers to a qualifying special purpose entity are not subject to this interpretation. In December 2003, the FASB issued a complete replacement of FIN 46 (FIN 46R), to clarify certain complexities. We are required to adopt this standard on January 1, 2005. We do not believe that the impact of FIN 46R on our financial statements will be material.

In May 2003, the FASB issued SFAS No. 150, "*Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*." SFAS No. 150 establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. SFAS No. 150 is effective for all financial instruments created or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on our consolidated financial statements.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs an amendment of ARB No. 43." SFAS No. 151 requires abnormal amounts of idle facility expense, freight, handling costs, and wasted material to be recognized as current-period charges. It also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The requirements of the standard will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We are reviewing SFAS No. 151 to determine the statement's impact on our consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, "*Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29*." SFAS No. 153 addresses the measurement of exchanges of nonmonetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in APB Opinion No. 29 and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of this standard are effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. We will apply this standard prospectively.

In December 2004, the FASB issued SFAS No. 123R, "*Share Based Payment*." SFAS No. 123R requires entities to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which the employee is required to provide services in exchange for the award. This standard eliminates the alternative to use the intrinsic value method of accounting for share based payments as previously provided in APB Opinion No. 25, "*Accounting for Stock Issued to Employees*." This standard is effective for us beginning in January 2006. We are reviewing SFAS No. 123R to determine the statement's impact on our consolidated financial statements.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the U.S. requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Our significant accounting policies are summarized in Note 2 to the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus. Summarized below are our critical accounting policies:

Revenue Recognition

We generate substantially all of our revenues through sales in the open market and long-term supply agreements. We recognize revenue when it is realized or realizable and earned. Revenue for product sales is recognized when a sales arrangement exists, risk and title to the product transfer to the customer, collectibility is reasonably assured and pricing is fixed or determinable. This occurs at the time shipment is made.

Long-Lived Assets

The determination of useful lives of our property, plant and equipment is considered a critical accounting estimate. Such lives are estimated based upon our historical experience, engineering estimates and industry information and are reviewed when economic events indicate that we may not be able to recover the carrying value of the assets. The estimated lives of our property range from 3 to 30 years and depreciation is recorded on the straight-line method. Inherent in our estimates of useful lives is the assumption that periodic maintenance and an appropriate level of annual capital expenditures will be performed. Without on-going capital improvements and maintenance, the productivity and cost efficiency declines and the useful lives of our assets would be shorter.

Until January 1, 2003, approximately $1.3 billion of our total plant and equipment was depreciated using the straight-line method on a group basis at a 4.7% composite rate. When capital assets representing complete groups of property were disposed of, the difference between the disposal proceeds and net book value was credited or charged to income. When miscellaneous assets were disposed of, the difference between asset costs and salvage value was charged or credited to accumulated depreciation. Effective January 1, 2003, we changed our method of accounting for depreciation for the assets previously recorded on a group basis to the component method. Specifically, the net book value of all the assets on January 1, 2003 were allocated to individual components and are being depreciated over their remaining useful lives and gains and losses are recognized when a component is retired. This change decreased depreciation for the year ended December 31, 2003 by $43.0 million.

Management uses judgment to estimate the useful life of our long-lived assets. If the useful life of our property, plant and equipment as of September 30, 2004 were to have been estimated to be one year greater or one year less, then depreciation expense for the nine month period ending September 30, 2004 would have been $37.1 million less or $29.3 million greater, respectively.

We are required to evaluate our plant assets whenever events indicate that the carrying value may not be recoverable in the future or when management's plans change regarding those assets, such as idling or closing a plant. We evaluate impairment by comparing undiscounted cash flows of the related

property to the carrying value. Key assumptions in determining the future cash flows include the useful life, technology, competitive pressures, raw material pricing and regulations.

Restructuring and Plant Closing Costs

We have recorded restructuring charges in recent periods in connection with closing certain plant locations, work force reductions and other cost savings programs. These charges are recorded when management has committed to a plan and incurred a liability related to the plan. Estimates for plant closing include the write-off of the carrying value of the plant, any necessary environmental and/or regulatory costs, contract termination and demolition costs. Estimates for work force reductions and other costs savings are recorded based upon estimates of the number of positions to be terminated, termination benefits to be provided and other information as necessary. While management evaluates the estimates on a quarterly basis and will adjust the reserve when information indicates that the estimate is above or below the initial estimate, management's estimates on a project-by-project basis have not varied to a material degree. See Note 10 to the Consolidated Financial Statements of Huntsman Holdings, LLC, included elsewhere in this prospectus, for further discussion of our restructuring activities.

Income Taxes

Huntsman Holdings, LLC is treated as a partnership for U.S. federal income tax purposes and as such is generally not subject to U.S. income tax. The only asset held by Huntsman Holdings, LLC is 100% of the common stock of HGI. Income of Huntsman Holdings, LLC is taxed directly to its owners, however, through September 30, 2004 there has been no taxable income or loss. Income of the subsidiaries of Huntsman Holdings, LLC is taxed under consolidated corporate income tax rules. These subsidiaries file a U.S. Federal consolidated tax return with HGI as the parent. HGI and all of its U.S. subsidiaries are parties to various tax sharing agreements which generally provide that the entities will pay their own taxes (as computed on a separate-company basis) and will be compensated for the use of tax attributes, including net operating losses.

Huntsman Holdings, LLC's subsidiaries use the asset and liability method of accounting for income taxes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial and tax reporting purposes. Huntsman Holdings, LLC evaluates the resulting deferred tax assets to determine whether it is more likely than not that they will be realized. Valuation allowances have been established against the entire U.S. and a material portion of the non-U.S. deferred tax assets due to an uncertainty of realization. Valuation allowances are reviewed each period on a tax jurisdiction by jurisdiction basis to analyze whether a change in circumstances has occurred to provide enough positive evidence to support a change in judgment about the realizability of the related deferred tax asset in future years.

Subsequent to the AdMat Transaction, substantially all non-U.S. operations of Advanced Materials are treated as our branches for U.S. income tax purposes and are, therefore, subject to both U.S. and non-U.S. income tax. Until we have sufficient U.S. taxable income to utilize foreign tax credits, most income will continue to be effectively taxed in both U.S. and non-U.S. jurisdictions in which it is earned.

Prior and subsequent to the AdMat Transaction, for non-U.S. entities that are not treated as branches for U.S. tax purposes, we do not provide for income taxes or benefits on the undistributed earnings of these subsidiaries as earnings are reinvested and, in the opinion of management, will continue to be reinvested indefinitely. Upon distribution of these earnings, certain of our subsidiaries would be subject to both income taxes and withholding taxes in the various international jurisdictions. It is not practical to estimate the amount of taxes that might be payable upon such distributions.

As of September 30, 2004, we had gross deferred tax assets (primarily tax net operating losses and specific deferred tax assets of a nature similar to net operating losses) of approximately $3.1 billion. These deferred tax assets are primarily located in the U.S., the U.K., The Netherlands, Switzerland and Malaysia. A material portion of these deferred tax assets is not on our balance sheet because they are

offset by a valuation allowance. In addition to the amount above, we also had gross tax net operating losses in Luxembourg of approximately $1.0 billion as of September 30, 2004. A material utilization of the Luxembourg tax net operating losses is unlikely. See Note 15 to the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus for further discussion of our deferred tax assets.

Employee Benefit Programs

We sponsor several contributory and non-contributory defined benefit plans primarily covering employees in the U.S., the U.K., Netherlands, Belgium, Canada and a number of other countries. We fund the material plans through trust arrangements (or local equivalents) where the assets are held separately from the employer. We also sponsor unfunded post-retirement plans which provide medical and life insurance benefits covering certain employees in the U.S. and Canada. Amounts recorded in the consolidated financial statements are recorded based upon actuarial valuations performed by various independent actuaries. Inherent in these valuations are numerous assumptions regarding expected return on assets, discount rates, compensation increases, mortality rates and health care costs trends. These assumptions are disclosed in Note 19 to the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus.

Management, with the advice of its actuaries, uses judgment to make assumptions on which our employee benefit plan liabilities and expenses are based. The effect of a 1% change in three key assumptions is summarized as follows (dollars in millions):

Assumption	Income Statement Impact(1)	Balance Sheet Impact(2)
Discount rate		
1% increase	$ (26.9)	$ (113.3)
1% decrease	35.0	236.9
Expected return on assets		
1% increase	(15.9)	
1% decrease	15.9	
Rate of compensation increase		
1% increase	20.5	
1% decrease	(14.1)	

(1) Estimated impact on 2003 net periodic benefit cost.

(2) Estimated impact on 2004 "Additional Minimum Liability" and "Reduction in Shareholder Equity."

Environmental Reserves

Environmental remediation costs for our facilities are accrued when it is probable that a liability has been incurred and the amount can be reasonably estimated. Estimates of environmental reserves require evaluating government regulation, available technology, site-specific information and remediation alternatives. We accrue an amount equal to our best estimate of the costs to remediate based upon the available information. Adjustments to our estimates are made periodically based upon additional information received as remediation progresses. For further information see Note 23 to the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk, including changes in interest rates, currency exchange rates and certain commodity prices. Our exposure to changing commodity prices is somewhat limited since the majority of our raw materials are acquired at posted or market related prices, and sales prices for finished products are generally at market related prices which are largely set on a monthly or quarterly basis in line with industry practice. To manage the volatility relating to these exposures, from time to

time, we enter into various derivative transactions. We hold and issue derivative financial instruments for economic hedging purposes only.

Our cash flows and earnings are subject to fluctuations due to exchange rate variation. Our sales prices are typically denominated in euros or U.S. dollars. From time to time, we may enter into foreign currency derivative instruments to minimize the short-term impact of movements in foreign currency rates. Short-term exposures to changing foreign currency exchange rates at certain foreign subsidiaries are generally netted where practicable with exposures of other subsidiaries and the remaining exposures then, from time to time, may be managed through financial market transactions, principally through the purchase of spot or forward foreign exchange contracts (with maturities of nine months or less) with various financial institutions, to reflect the currency denomination of our cash flows. We do not hedge our currency exposures in a manner that would entirely eliminate the effect of changes in exchange rates on our cash flows and earnings. As of September 30, 2004, we had no outstanding forward foreign exchange contracts. On December 10, 2004, HI entered into a cross currency swap of fixed rate debt with several financial institutions in order to more effectively hedge its overall underlying euro long-term net asset and euro cash flow exposures. In this transaction, HI agreed to swap $175 million of 7 3/8% fixed rate debt for €132.4 million of 6.63% fixed rate debt. As a result, HI will pay fixed rate interest at an annual rate of 6.63% on €132.4 million of principal and will receive fixed rate interest at an annual rate of 7 3/8% on $175 million of principal through January 1, 2010. At maturity on January 1, 2010, HI is required to pay principal of €132.4 million and will receive principal of $175 million. Interest installments are paid semi-annually on January 1 and July 1 of each year beginning July 1, 2005 through maturity. The swap will receive effective treatment as a net investment hedge under GAAP.

Our hedging activity from time to time comprises selling forward surpluses of non-dollar receivables for U.S. dollars. In addition, HI's accounts receivable securitization program requires in certain circumstances that we enter into certain forward foreign currency hedges intended to hedge currency exposures on the collateral supporting the off-balance sheet debt issued in the program.

As of September 30, 2004, HLLC had entered into approximately $184 million notional amount of interest rate swap transactions, which have remaining terms ranging from approximately 15 to 33 months. The majority of these transactions hedge against movements in U.S. dollar interest rates. The U.S. dollar swap transactions obligate HLLC to pay fixed amounts ranging from 3.78% to 6.55% of the notional amount in exchange for LIBOR-based floating amounts. As of September 30, 2004, HI and Advanced Materials had not entered into any interest rate agreements. We do not hedge our interest rate exposure in a manner that would eliminate the effects of changes in market interest rates on our cash flow and earnings.

As of September 30, 2004, the estimated fair value of our consolidated debt was approximately $6.7 billion, and the weighted average interest rate of our combined borrowings was approximately 10.1% (8.0% on a pro forma as adjusted basis). As of September 30, 2004, we had combined outstanding variable rate borrowings at HLLC, HI and Advanced Materials of approximately $2.5 billion. The weighted average interest rate of these borrowings was approximately 6.0%. This weighted average rate does not consider the effects of interest rate hedging activities. Assuming a 1.0% increase in interest rates, without giving effect to interest rate hedges, the effect on the annual interest expense would be an increase of approximately $25 million. This increase would be reduced by approximately $1.8 million on an annualized basis, as a result of the effects of the interest rate swap, cap and collar transactions described above.

In order to reduce overall raw material cost volatility, from time to time we enter into various commodity contracts to hedge our purchase of commodity products. We do not hedge our commodity exposure in a manner that would eliminate the effects of changes in commodity prices on our cash flows and earnings. At September 30, 2004, we had forward purchase and sale contracts for 30,000 tonnes of naphtha and 56,000 tonnes of other hydrocarbons, which do not qualify for hedge accounting. Assuming a 10% increase or a 10% decrease in the price per tonne of naphtha, the impact on the forward purchase contracts would result in losses and gains of approximately $0.3 million, respectively.

BUSINESS

Overview

We are among the world's largest global manufacturers of differentiated and commodity chemical products. We manufacture a broad range of chemical products and formulations, which are marketed in more than 100 countries to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, durable and non-durable consumer products, electronics, medical, packaging, paints and coatings, power generation, refining and synthetic fiber industries. We are a leading global producer in many of our key product lines, including MDI, amines, surfactants, epoxy-based polymer formulations, maleic anhydride and titanium dioxide. We operate 63 manufacturing facilities located in 22 countries and employ over 11,500 associates. Our businesses benefit from significant integration, large production scale and proprietary manufacturing technologies, which allow us to maintain a low-cost position. We had pro forma revenues for the nine months ended September 30, 2004 and the year ended December 31, 2003 of $8,357.7 million and $9,252.4 million, respectively.

Competitive Strengths

Leading Market Positions in Our Differentiated Product Segments

We derive a substantial portion of our revenues and EBITDA from our Polyurethanes, Advanced Materials and Performance Products segments, which manufacture our differentiated products. For the nine months ended September 30, 2004, these segments accounted for 52% of our total revenues and 63% of our segment EBITDA. We enjoy leading market positions in many of our primary product lines in these segments, including MDI, amines, carbonates, specialty surfactants, maleic anhydride, adhesives and epoxy-based polymer formulations. Demand for many of these products has been relatively resistant to changes in global economic conditions and has historically grown at rates in excess of GDP growth due to new product development and the continued substitution of our products for traditional materials and chemicals. We produce many of these products using our proprietary manufacturing processes, and we own many patents related to our processes, product formulation and their end-use applications. The markets for many of these products also benefit from a limited number of global producers, significant barriers to entry and a high degree of customer loyalty.

Large Scale, Integrated Manufacturer with Low Cost Operations

We are among the world's largest global manufacturers of chemical products. We operate 63 manufacturing facilities located in 22 countries as well as numerous sales, technical service and research facilities. We believe that the scale of our operations enables us to source raw materials and services that we purchase from third parties on terms more advantageous than those available to our smaller competitors. In addition, we are able to leverage selling, administrative and corporate overhead service platforms in order to reduce the operating costs of our businesses, including those that we have acquired. Our scale has also allowed us to rationalize smaller, less efficient capacity in recent years.

Our businesses also benefit from significant product integration. In 2003, we utilized approximately half of our ethylene production and all our EO production in the manufacturing operations of our Performance Products and Polymers segments. In addition, we utilized substantially all the benzene that we produced in the production of our aromatics and MDI. We believe that our high degree of product integration provides us with a competitive advantage over non-integrated producers by reducing both our exposure to cyclical raw material prices and our raw material transportation costs, as well as increasing the operating rates of our facilities. We believe our large production scale and integration enable us to manufacture and market our products at costs that are lower than those achieved by smaller, less integrated producers.

Diverse Customer Base Across Broad Geographic Regions

We sell our products to a highly diverse base of customers who are located in all major geographic regions and represent many end-use industry groups. We have thousands of customers in more than 100 countries. We have developed a global presence, with approximately 47% of our pro forma revenues for the year ended December 31, 2003 from North America, approximately 37% from Europe, approximately 12% from the Asia/Pacific region and approximately 4% from South America and other regions. We believe that this diversity limits our dependence on any particular product line, customer, end market or geographic region.

Experienced Management

We are managed by an experienced group of executives, led by Jon M. Huntsman, our Chairman of the Board, and Peter R. Huntsman, our President and Chief Executive Officer. Jon M. Huntsman is the founder of our company and has over 40 years of experience in the chemicals and plastics industries. Peter Huntsman has over 20 years of experience in the chemicals and plastics industries. Both have been instrumental in leading our company through periods of growth and industry cycles. The balance of our executive management team has extensive industry experience and prior work experience at leading chemical and professional services firms, including ICI, Texaco, Inc., Mobil Corporation, Bankers Trust Company and Skadden, Arps, Slate, Meagher & Flom LLP. Throughout our history, our management team has demonstrated expertise and entrepreneurial spirit in expanding our businesses, integrating numerous acquisitions and executing on significant cost cutting programs.

Business Strategy

Expand Our Differentiated Segments

Since 1999, we have invested over $500 million in discretionary capital expenditures and completed seven strategic acquisitions to expand our differentiated segments. As a result, in the nine months ended September 30, 2004, these segments produced 52% of our pro forma revenues and 63% of our segment EBITDA. We intend to continue to invest our capital in the higher-growth, higher-margin differentiated segments in order to expand the breadth of our product offerings, extend the geographic scope of these businesses and increase our production capacity to meet growing customer demand. As part of this strategy, we have a significant interest in a manufacturing joint venture that has recently begun construction of a world-scale MDI production facility near Shanghai, China. We believe that this will enable us to strengthen our long-standing presence in China and to further capitalize on the growth in demand for MDI in this region, especially in Asia. We intend to continue to invest in our global research and development capabilities in order to meet the increasingly sophisticated needs of our customers in areas of new product development and product application technology. We have recently announced that we will consolidate substantially all of our existing North American Polyurethanes, Advanced Materials and Performance Products research and development, technical service and process technology capabilities in a new, state-of-the-art facility to be constructed in The Woodlands, Texas.

Maximize Cash Generated By Our Commodity Segments

We derived 48% of our revenues and 37% of our segment EBITDA for the nine months ended September 30, 2004 from our Pigments, Polymers and Base Chemicals segments. We believe we have cost-competitive facilities in each of these segments, which produce primarily commodity products. In periods of favorable market conditions, our commodity businesses have historically generated significant amounts of free cash flow. We intend to continue to selectively invest sufficient capital to sustain the competitive position of our existing commodity facilities and improve their cost structure. In addition,

we intend to capitalize on the low-cost position of our Wilton, U.K. olefins facility by constructing a world-scale LDPE facility on an adjacent site.

Continue Focus on Improving Operational Efficiencies

We continuously focus on identifying opportunities to reduce our operating costs and maximize our operating efficiency. We have completed a number of targeted cost reduction programs and other actions since 1999. These programs have included, among other things, the closing of seven high-cost manufacturing units as well as reducing corporate and administrative costs. More recently, we have announced a comprehensive global cost reduction program, which we refer to as "Project Coronado," with a goal of further reducing our annual fixed manufacturing and selling, general and administrative costs by $200 million by 2006. In connection with Project Coronado, we have recently announced the closure of eight smaller, less competitive manufacturing units in our Polyurethanes, Advanced Materials, Performance Products and Pigments segments. These and other actions have resulted in the reduction of approximately 1,500 employees in these businesses since 2000.

Further Reduce Our Indebtedness

We intend to use substantially all of the net proceeds of approximately $1,450 million from the concurrent offerings of our common stock and our mandatory convertible preferred stock, together with cash on hand, to reduce our outstanding indebtedness. This will result in a significant reduction in our annual interest expense. If the profitability of our businesses continues to improve, we intend to further reduce the level of our indebtedness. The amount of any further reductions of our indebtedness will depend on a number of factors, including our future profitability and alternative uses for our available cash.

Our Products and Segments

Our business is organized around our six segments: Polyurethanes, Advanced Materials, Performance Products, Pigments, Polymers and Base Chemicals. These segments can be divided into two broad categories: differentiated and commodity. We produce differentiated products primarily in our Polyurethanes, Advanced Materials and Performance Products segments. These products serve diverse end markets and are generally characterized by historical growth rates in excess of GDP growth rates resulting from product substitution and new product development, proprietary manufacturing processes and product formulations and a high degree of customer loyalty. Demand for these products tends to be driven by the value-added attributes that they create in our customers' end-use applications. While the demand for these differentiated products is also influenced by worldwide economic conditions and GDP growth, our differentiated products have tended to produce more stable profit margins and higher demand growth rates than our commodity products.

In our commodity chemical businesses, we produce titanium dioxide derived from titanium-bearing ores in our Pigments segment and petrochemical-based olefins, aromatics and polyolefins products in our Polymers and Base Chemicals segments. Since the coatings industry consumes a substantial portion of titanium dioxide production, seasonal demand patterns in the coatings industry drive the profitability of our Pigments segment. The profitability of our petrochemical-based commodity products is cyclical and has been experiencing a down cycle for the last several years, resulting primarily from significant new capacity additions, a decrease in demand reflecting weak global economic conditions and high raw material costs. Certain industry fundamentals have recently improved and, according to Nexant and IBMA, point to increased profitability in the markets for the major commodity products that we manufacture.

The following charts set forth information regarding the revenues and EBITDA of our six business segments for the nine months ended September 30, 2004:

Segment Revenues*

Segment EBITDA*

*

Percentage allocations in the segment revenues chart above reflect the allocations of all inter-segment revenue eliminations to our Base Chemicals segment. Percentage allocations in the segment EBITDA chart above do not give effect to $54.1 million of corporate and other unallocated items and exclude $202.4 million of restructuring and plant closing costs. For a detailed discussion of our EBITDA by segment, see Note 26 to the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus. For a discussion of EBITDA and a reconciliation of EBITDA to net income, see "Summary Historical and Pro Forma As Adjusted Financial Data."

Polyurethanes

General

We are a leading global manufacturer and marketer of a broad range of polyurethane chemicals, including MDI, PO, polyols, PG, TDI and TPU. Polyurethane chemicals are used to produce rigid and flexible foams, as well as coatings, adhesives, sealants and elastomers. We focus on the higher-margin, higher-growth markets for MDI and MDI-based polyurethane systems. Growth in our Polyurethanes segment has been driven primarily by the continued substitution of MDI-based products for other materials across a broad range of applications. As a result, according to Nexant, global consumption of MDI grew at a compound annual growth rate of 7.3% from 1992 to 2003. Our Polyurethanes segment is widely recognized as an industry leader in utilizing state-of-the-art application technology to develop new polyurethane systems and applications. In 2003, approximately 25% of the revenues from our MDI-based products were generated from products and applications introduced in the previous three years. According to Nexant, we are the lowest-cost and second-largest producer of MDI in the world. We operate four primary Polyurethanes manufacturing facilities in the U.S. and Europe. We also operate 14 Polyurethanes formulation facilities, which are located in close proximity to our customers worldwide. We have a significant interest in a manufacturing joint venture that has recently begun construction of a low-cost, world-scale, integrated MDI production facility near Shanghai, China. We expect production at this facility to commence in 2006.

Our customers produce polyurethane products through the combination of an isocyanate, such as MDI or TDI, with polyols, which are derived largely from PO and EO. While the range of TDI-based products is relatively limited, we are able to produce over 2,000 distinct MDI-based polyurethane products by varying the proportion and type of polyol used and by introducing other chemical additives to our MDI formulations. As a result, polyurethane products, especially those derived from MDI, are continuing to replace traditional products in a wide range of end-use markets, including insulation in construction and appliances, cushioning for automotive and furniture, adhesives, wood binders, footwear and other specialized engineering applications. Largely as a result of our technological expertise and history of product innovation, we have enjoyed long-term relationships with a diverse customer base, including BMW, Collins & Aikman, Electrolux, Firestone, Lear, Louisiana Pacific, Shell and Weyerhauser.

We are one of three North American producers of PO. We and some of our customers process PO into derivative products such as polyols for polyurethane products, PG and various other chemical products. End uses for these derivative products include applications in the home furnishings, construction, appliance, packaging, automotive and transportation, food, paints and coatings and cleaning products industries. We are also, according to Nexant, the third largest U.S. marketer of PG, which is used primarily to produce UPR for bath and shower enclosures and boat hulls, and to produce heat transfer fluids and solvents. We also produce MTBE as a co-product of our PO manufacturing process. MTBE is an oxygenate that is blended with gasoline to reduce harmful vehicle emissions and to enhance the octane rating of gasoline. See " Environmental, Health and Safety Matters MTBE Developments" for a further discussion of legal and regulatory developments that may curtail or eliminate the use of MTBE in gasoline in the U.S. and elsewhere in the future.

In 1992, we were the first global supplier of polyurethane chemicals to open a technical service center in China. We have since expanded this facility to include an integrated polyurethanes formulation facility. In January 2003, we entered into two related joint ventures to build MDI production facilities near Shanghai, China. According to the China Household Appliances Association and China Polyurethanes Industry Association, in 2003 China was responsible for approximately 35% of the world's production of refrigerators, 70% of the world's production of shoes and 60% of the world's production of toys and was a leading manufacturer of construction materials, synthetic leather furniture and automobiles. Our MDI joint ventures will enable us to strengthen our long-standing presence in China and to further capitalize on the growth in demand for MDI in Asia.

Industry Overview

According to Nexant, the polyurethane chemicals industry was a $30 billion global market in 2003, consisting primarily of the manufacture and marketing of MDI, TDI and polyols. Primary polyurethane end-uses include automotive interiors, refrigeration and appliance insulation, construction products, footwear, furniture cushioning, adhesives and other specialized engineering applications.

In 2003, according to Nexant, MDI, TDI, TPU, polyols and other products, such as specialized additives and catalysts, accounted for 30%, 15%, 2%, 38% and 15% of global polyurethane chemicals sales, respectively. MDI is used primarily in rigid foam applications and in a wide variety of customized higher-value flexible foam and coatings, adhesives, sealants and elastomers; conversely, TDI is used primarily in commodity flexible foam applications. Polyols, including polyether and polyester polyols, are used in conjunction with MDI and TDI in rigid foam, flexible foam and other non-foam

applications. PO is one of the principal raw materials for producing polyether polyols. The following chart illustrates the range of product types and end uses for polyurethane chemicals:

Polyurethane chemicals are sold to customers who combine the chemicals to produce polyurethane products. Depending on their needs, customers will use either commodity polyurethane chemicals produced for mass sales or polyurethane systems tailored for their specific requirements. By varying the blend, additives and specifications of the polyurethane chemicals, manufacturers are able to produce and develop a breadth and variety of polyurethane products. The following table sets forth information regarding the three principal polyurethane chemicals markets:

Source: Nexant

MDI. As reflected in the chart above, MDI has a substantially larger market size and a higher growth rate than TDI. This is primarily because MDI can be used to make polyurethanes with a

broader range of properties and can therefore be used in a wider range of applications than TDI. Nexant reports that future growth of MDI is expected to be driven by the continued substitution of MDI-based polyurethane for fiberglass and other materials currently used in rigid insulation foam for construction. We expect that other markets, such as binders for reconstituted wood board products, specialty cushioning applications and coatings will further contribute to the continued growth of MDI.

According to Nexant, global consumption of MDI was approximately 6.3 billion pounds in 2003, growing from 2.9 billion pounds in 1992, which represents a 7.3% compound annual growth rate. This growth rate is the result of the wide variety of end-uses for MDI and its superior performance characteristics relative to other polymers. The U.S. and European markets currently consume the largest quantities of MDI. With the recent rapid growth of the developing Asian economies, the Asian markets are becoming an increasingly important market for MDI, and we currently believe that per-capita demand for MDI in Asia will continue to increase as its less-developed economies continue to grow.

There are four major global producers of MDI: Bayer, our company, BASF and Dow, which, according to Nexant, had 24%, 24%, 20% and 16%, respectively, of global MDI production capacity in 2003. We believe it is unlikely that any new global producers of MDI will emerge in the foreseeable future due to the substantial requirements for entry such as the limited availability of licenses for MDI technology and the substantial capital commitment and integration that is required to develop both the necessary technology and the infrastructure to manufacture and market MDI.

TDI. The consumers of TDI consist primarily of numerous manufacturers of flexible foam blocks sold for use as furniture cushions and mattresses. Flexible foam is typically the first polyurethane market to become established in developing countries because smaller local plants can be constructed using technology and intermediate chemicals that are easier to obtain than those required for MDI production. As a result, TDI production typically precedes MDI production in developing markets. The four largest TDI producers supplied approximately 60% of global TDI demand in 2003, according to Nexant.

TPU. TPU is a high-quality fully formulated thermal plastic derived from the reaction of MDI or an aliphatic isocyanate with polyols to produce unique qualities such as durability, flexibility, strength, abrasion-resistance, shock absorbency and chemical resistance. We can tailor the performance characteristics of TPU to meet the specific requirements of our customers. TPU is used in injection molding and small components for the automotive and footwear industries. It is also extruded into films, wires and cables for use in a wide variety of applications in the coatings, adhesives, sealants and elastomers markets. According to Nexant, the market capacity for TPU in 2003 was approximately 660 million pounds per year.

Polyols. Polyols are combined with MDI, TDI and other isocyanates to create a broad spectrum of polyurethane products. In the U.S., approximately 80% of all polyols produced in 2003 were used in polyurethane applications, according to Nexant. Demand for specialty polyols has been growing at approximately the same rate at which MDI consumption has grown.

Aniline. Aniline is an intermediate chemical used primarily to manufacture MDI. Approximately 80% of all aniline produced is consumed by MDI producers, while the remaining 20% is consumed by synthetic rubber and dye producers. According to Nexant, global capacity for aniline was approximately 6.9 billion pounds per year in 2003. Generally, most aniline is either consumed internally by the producers of the aniline or is sold to third parties under long-term supply contracts. We believe that the lack of a significant spot market for aniline means that in order to remain competitive, MDI manufacturers must either be integrated with an aniline manufacturing facility or have a long-term cost-competitive aniline supply contract.

PO. PO is an intermediate chemical used mainly to produce a wide range of polyols and PG. The following chart illustrates the primary end markets and applications for PO and their respective percentages of global PO consumption for 2003:

Source: Nexant

Demand for PO depends largely on overall economic demand, especially that of consumer durables. According to Nexant, consumption of PO in the U.S. represented approximately one-third of global consumption in 2003. According to Nexant, U.S. consumption of PO was approximately 3.9 billion pounds in 2003, growing from 2.5 billion pounds in 1990, which represents a 3.5% compound annual growth rate.

Two U.S. producers, Lyondell and Dow, accounted for approximately 90% of North American PO production in 2003, according to Nexant. We believe that Dow consumes the majority of its North American PO production in its North American downstream operations and that a significant amount of Lyondell's North American PO production is consumed internally or sold to Bayer, which acquired Lyondell's polyols business.

Propylene glycol is derived from PO and is used in the production of UPR, antifreeze, industrial coolants and de-icers and liquid laundry detergents, as well as in food, pharmaceutical, and personal care products. According to Nexant, world capacity for production of propylene glycol in 2003 was 3.8 billion pounds, of which approximately 40%, or 1.5 billion pounds, was located in the U.S.

MTBE. We currently use our entire production of TBA, a co-product of our PO production process, to produce MTBE. MTBE is an oxygenate that is blended with gasoline to reduce harmful vehicle emissions and to enhance the octane rating of gasoline. Historically, the refining industry utilized tetra ethyl lead as the primary additive to increase the octane rating of gasoline until health concerns resulted in the removal of tetra ethyl lead from gasoline. This led to the increasing use of MTBE as a component in gasoline during the 1980s. According to Nexant, U.S. consumption of MTBE grew at a compound annual rate of 14.6% in the 1990s due primarily to the implementation of federal environmental standards that require improved gasoline quality through the use of oxygenates. MTBE has experienced historical growth due to its ability to satisfy the oxygenation requirement of amendments to the Clean Air Act of 1990 (the "Clean Air Act") with respect to exhaust emissions of carbon monoxide and hydrocarbon emissions from automobile engines. Some regions of the U.S. adopted this oxygenate requirement to improve air quality even though they were not mandated to do so by the Clean Air Act. The use of MTBE is controversial in the U.S. and elsewhere and may be substantially curtailed or eliminated in the future by legislation or regulatory action. See " Environmental, Health and Safety Matters MTBE Developments."

Sales and Marketing

We manage a global sales force, with 40 locations in 35 countries, which sells our polyurethane chemicals to over 2,000 customers in more than 90 countries. Our sales and technical resources are organized to support major regional markets, as well as key end-use markets which require a more global approach. These key end-use markets include the appliance, automotive, footwear, furniture and coatings, construction products, adhesives, sealants and elastomers industries.

We provide a wide variety of polyurethane solutions as components (i.e., the isocyanate or the polyol) or in the form of "systems" in which we provide the total isocyanate and polyol formulation to our customers in ready-to-use form. Our ability to deliver a range of polyurethane solutions and technical support tailored to meet our customers needs is critical to our long term success. We have strategically located our polyurethane formulation facilities, commonly referred to in the chemicals industry as "systems houses," close to our customers, enabling us to focus on customer support and technical service. We believe this customer support and technical service system contributes to customer retention and also provides opportunities for identifying further product and service needs of customers. We manufacture TDI and polyols primarily to support our MDI customers' requirements.

We believe that the extensive market knowledge and industry experience of our sales teams and technical experts, in combination with our strong emphasis on customer relationships, have facilitated our ability to establish and maintain long-term customer supply positions. Due to the specialized nature of our markets, our sales force must possess technical knowledge of our products and their applications. Our strategy is to continue to increase sales to existing customers and to attract new customers by providing innovative solutions, quality products, reliable supply, competitive prices and superior customer service.

Based on current production levels, we have entered into long-term contracts to provide up to 45% of our PO capacity to one customer at specified prices through 2007. The balance of our PO capacity is used to produce PO for use internally or to be sold to a number of industrial accounts. Other contracts provide for the sale of our MTBE production to ChevronTexaco and BP. More than 70% of our annual MTBE production of our Port Neches, Texas PO/MTBE plant is committed to ChevronTexaco under a contract expiring in 2007 and to BP. In addition, over 40% of our current annual PG production is sold pursuant to long-term contracts.

Manufacturing and Operations

According to Nexant, we own the world's two largest and lowest-cost MDI production facilities in terms of capacity, located in Geismar, Louisiana and Rozenburg, Netherlands. These facilities receive aniline, which is a primary material used in the production of MDI, from our facilities located in Geismar, Louisiana and Wilton, U.K., which are the world's two largest aniline facilities as determined by production capacity, according to Nexant. We believe that this relative scale and product integration provide a significant competitive advantage over other producers. In addition to reducing transportation costs for our raw materials, integration helps reduce our exposure to cyclical prices. Since 1996, we have invested over $600 million to significantly enhance our production capabilities through the rationalization of our older, less efficient facilities and the modernization of our newer facilities at Rozenburg and Geismar.

The following table sets forth the annual production capacity of polyurethane chemicals at each of our polyurethanes facilities:

	MDI	TDI	Polyols	TPU	Aniline	Nitrobenzene	PO	PG	MTBE[1]
	(millions of pounds)								
Geismar, Louisiana	860	90	160		715[2]	935[2]			
Port Neches, Texas							525	145	260
Ringwood, Illinois				20					
Rozenburg, Netherlands	660		120						
Wilton, U.K.					670	880			
Osnabrück, Germany			20	30					
Total	1,520	90	300	50	1,385	1,815	525	145	260

(1) Millions of gallons.

(2) Represents our approximately 78% share of capacity under our Rubicon LLC manufacturing joint venture with Crompton Corporation.

At both our Geismar and Rozenburg facilities we utilize sophisticated proprietary technology to produce our MDI. This technology, which will be used in our world scale JV in Shanghai, China, contributes to our position as the lowest cost MDI operator in the industry. In addition to MDI, we use a proprietary manufacturing process to manufacture PO. We own or license all technology, know-how and patents developed and utilized at our PO facility. Our process combines isobutane and oxygen in proprietary oxidation (peroxidation) reactors, thereby forming TBHP and TBA, which are further processed into PO and MTBE, respectively. Because our PO production process is less expensive relative to other technologies and allows all of our PO co-products to be processed into saleable or useable materials, we believe that our PO production technology possesses several distinct advantages over its alternatives.

We also operate polyurethane systems houses in Deerpark, Australia; Shanghai, China; Cartagena, Colombia; Deggendorf, Germany; Thane (Maharashtra), India; Ternate, Italy; Tlalnepantla, Mexico; Mississauga, Ontario; Kuan Yin, Taiwan; and Samuprakam, Thailand.

We currently market approximately 95% of our MTBE to customers located in the U.S. for use as a gasoline additive. If the use of MTBE in gasoline in the U.S. is further curtailed or eliminated in the future, we believe that we will be able to export MTBE to Europe, Asia or South America, although this may produce a lower level of cash flow than the sale of MTBE in the U.S. We may also elect to use all or a portion of our precursor TBA to produce saleable products other than MTBE. If we opt to produce products other than MTBE, necessary modifications to our facilities will require us to make significant capital expenditures and the sale of such other products may produce a lower level of cash flow than the sale of MTBE.

Joint Ventures

Rubicon Joint Venture. We and Crompton Corporation own Rubicon LLC, which owns aniline, nitrobenzene and DPA manufacturing facilities in Geismar, Louisiana. We are entitled to approximately 78% of the nitrobenzene and aniline production capacity of Rubicon LLC, and Crompton Corporation is entitled to 100% of the DPA production. In addition to operating the joint venture's owned aniline, nitrobenzene and DPA facilities, Rubicon LLC also operates our wholly owned MDI, TDI and polyol facilities at Geismar and is responsible for providing other auxiliary services to the entire Geismar complex. As a result of this joint venture, we are able to achieve greater scale and lower costs for our products than we would otherwise have been able to obtain.

Chinese MDI Joint Ventures. In January 2003, we entered into two related joint venture agreements to build MDI production facilities near Shanghai, China. The Chinese Manufacturing JV with BASF and three Chinese chemical companies will build three plants to manufacture MNB, aniline, and crude MDI. We effectively own 35% of the Chinese Manufacturing JV. The Chinese Splitting JV, with Shanghai Chlor-Alkali Chemical Company, Ltd., will build a plant to manufacture pure MDI, polymeric MDI and MDI variants. We own 70% of the Chinese Splitting JV. A feasibility study for the project has been approved by the appropriate Chinese authorities, preliminary engineering work has commenced and a business license was issued in March 2003, making the joint ventures the first entities with foreign investors to receive a license to construct an integrated MDI plant in China.

The project will be funded by a combination of equity invested by the joint venture partners and borrowed funds. We anticipate that our investment in the joint ventures and other related capital costs will be approximately $85 million. Upon expected completion in 2006, the production capacity of this facility will be 525 million pounds per year.

Raw Materials

The primary raw materials for MDI-based polyurethane chemicals are benzene and PO. Benzene is a widely available commodity that is the primary feedstock for the production of MDI and aniline. Historically, benzene has been the largest component of our raw material costs. We use the benzene produced in our Base Chemicals segment and purchase benzene from third parties to manufacture nitrobenzene and aniline, almost all of which we then use to produce MDI. Our vertical integration provides us with a competitively priced supply of feedstocks and reduces our exposure to supply interruption.

A major cost in the production of polyols is attributable to the costs of PO. The integration of our PO business with our polyurethane chemicals business gives us access to a competitively priced, strategic source of PO and the opportunity to develop polyols that enhance our range of MDI products. The primary raw materials used in our PO production process are butane/isobutane, propylene, methanol and oxygen, which accounted for 56%, 24%, 17% and 2%, respectively, of total raw material costs in 2003. We purchase our raw materials primarily under long-term contracts. While most of these feedstocks are commodity materials generally available to us from a wide variety of suppliers at competitive prices in the spot market, all the propylene used in the production of our PO is produced internally and delivered through a pipeline connected to our PO facility.

Competition

The following table sets forth our competitors in the polyurethane chemicals business:

	Share of Global Production Capacity (2003)			Share of U.S. Production Capacity (2003)	
	MDI	**TDI**	**PO**	**Polyols**	**PG**
Huntsman	24%	2%	4%	4%	10%
BASF	20%	18%	6%	12%	
Bayer	24%	17%	2%	29%	
Dow	16%	13%	27%	27%	46%
Lyondell		12%	23%		39%
Others	16%	38%	38%	28%	5%
	100%	100%	100%	100%	100%

Source: Nexant

While these competitors produce various types and quantities of polyurethane chemicals, we focus on MDI and MDI-based polyurethane systems. We compete based on technological innovation, technical assistance, customer service and product reliability. Our polyurethane chemicals business competes in two basic ways: (1) where price is the dominant element of competition, our polyurethane chemicals business differentiates itself by its high level of customer support including cooperation on technical and safety matters; and (2) elsewhere, we compete on the basis of product performance and our ability to react quickly to changing customer needs and by providing customers with innovative solutions to their needs.

Advanced Materials

General

We are a leading global manufacturer and marketer of technologically advanced epoxy, acrylic and polyurethane-based polymer products. We focus on formulations and systems that are used to address customer-specific needs in a wide variety of industrial and consumer applications. Our products are used either as replacements for traditional materials such as metal, wood, clay, glass, stone and ceramics, or in applications where traditional materials do not meet demanding engineering specifications. For example, structural adhesives are used to replace metal rivets and advanced composites are used to replace traditional aluminum panels in the manufacture of aerospace components. Revenue growth for much of our product portfolio has historically been well in excess of global GDP growth. Our Advanced Materials segment is characterized by the breadth of our product offering, our expertise in complex chemistry, our long-standing relationships with our customers and our ability to develop and adapt our technology and our applications expertise for new markets and new applications. We operate 15 Advanced Materials synthesis and formulating facilities in North America, Europe, Asia, South America and Africa. We market over 6,000 products to more than 5,000 customers in over 20 end-markets, which are grouped as follows:

Market Groups	End Markets
Adhesives	adhesives, consumer/do it yourself ("DIY"), aerospace, DVD, LNG transport
Electrical and Electronics Materials	electrical power transmission, distribution and generation, printed circuit boards, consumer and industrial electronics
Structural Composites	aerospace, wind power generation, automotive, electronic laminates, recreational sports equipment
Surface Technologies	civil engineering, shipbuilding and marine maintenance, automotive, consumer appliances, food and beverage packaging
Tooling and Modeling Materials	automotive, aerospace, industrial, medical

Since completing the AdMat Transaction in June 2003, we have initiated a comprehensive restructuring program designed to reduce our costs and transform our Advanced Materials segment from a product-driven business to a market-focused business. This program includes optimization of our global supply chain, reductions in general and administrative costs and the consolidation and centralization of support functions across Advanced Materials and with our other businesses. We have

closed or announced the closure of manufacturing facilities in Quillan, France and Thomastown, Australia and have significantly reduced or downsized the scale of our operations in Bergkamen, Germany and East Lansing, Michigan. We have also closed sales and administrative offices in seven locations. Through September 30, 2004 we have reduced our global headcount by approximately 339 people.

Market and Product Overview

Adhesives. *Overview.* The high-growth structural adhesives market requires high-strength "engineering" adhesives for use in the manufacture and repair of items to bond various engineering substrates. Our business focus is on engineering adhesives based on epoxy, polyurethane, acrylic and other technologies which are used to bond materials such as steel, aluminum, engineering plastics and composites in substitution of traditional joining techniques. Our Araldite® brand name has considerable value in the industrial and consumer adhesives markets. In many countries, Araldite® is synonymous with high-performance adhesives and we generally believe that this is the value-added segment of the market where recognition of our long-standing Araldite® brand is a key competitive advantage. We also believe that products marketed under the Araldite® name are generally less price-sensitive than the brands of our competitors. Packaging is a key characteristic of our adhesives products. Our range of adhesives is sold in a variety of packs and sizes, specifically targeted to three specific end-markets and sold through specifically targeted routes to market:

General industrial bonding. We sell a broad range of advanced formulated adhesives to a broad base of small-to medium-sized customers, including specialist distributors, who generally require relatively small quantities of easy-to-use products and a moderate level of instruction and support.

Industry specific. We sell our adhesive products into diverse, global industry-specific markets, which include the aerospace, DVD, wind power generation and LNG transport markets. Our target markets are chosen because we believe it is worthwhile to utilize our highly trained direct sales force and applications experts to tailor products and services to suit the needs and performance specifications of the specific market segments. We often provide a turnkey solution and the customer often commits to an investment in capital equipment to use the materials provided.

Consumer/DIY. We package and sell consumer adhesives through strategic distribution arrangements with a number of the major marketers of consumer/DIY adhesives, such as Bostik and Shelleys. These products are sold globally through a number of major retail outlets, often under the Araldite® brand name.

Our key customers for our adhesives products include Airbus, Boeing, Bostik, Daewoo, GE, General Dynamics, Gray & Adams, Hexcel, Idemitsu, Johnson Electric, Optical Disc Service, Pratt & Whitney, Samsung, Technicolor, Toray and Warner Music.

Market Trends. We have observed the following significant trends emerging in the markets for our products used in adhesives applications:

Increased usage of non-metal substrates for lighter weight and lower total cost construction, which we expect to drive continued high growth for advanced formulated adhesives.

End-users of adhesives, including the aerospace, road transport, marine, rail, electronics/ communication, sports and leisure and energy industries are continuing to substitute new substrates with low weight and cost-efficient characteristics on developing applications.

We expect steel and wood substrates to be replaced with aluminum, engineering plastics and composites, driving continued high growth demand for high-performance adhesives to replace traditional metal joining techniques.

There is increasing emphasis in high growth markets on offering the "total" engineering solution to customer needs with increasing need for adhesive bonding to form part of that solution.

Skill and know-how of personnel is a key competitive advantage in sales, research and development and application technology.

Competition. We face substantial competition for the sale of our products for adhesives applications. Competition in the industry specific market segments is based on an understanding of the relevant industry sector and the ability to provide highly reliable and tailored engineering solutions, applications expertise and ease of use with the customer's processing equipment. Competition in the consumer market segment is based on branding, packaging and making widely available, easy-to-use products on which our customers can rely. We believe that our competitive strengths are our focus on defined market needs, provision of a high level of service and recognition as a quality supplier in the chosen sectors, all of which are exemplified by our strong Araldite® brand name. The principal participants in the structural adhesives market include Henkel/Loctite, ITW, National Starch, Sika, 3M and many other regional or industry specific competitors.

Electrical and Electronics Materials. *Overview.* Our electrical materials are formulated polymer systems, which make up the insulation materials used in equipment for the generation, transmission and distribution of electrical power, such as transformers, switch gears, ignition coils, sensors, motors, and magnets, and for the protection of electrical and electronic devices and components. The purpose of these products is to insulate, protect or shield either the environment from electrical current or electrical devices from the environment, such as temperature or humidity. Our electrical insulating materials target two key market segments, the heavy electrical equipment market and the light electrical equipment market.

Products for the heavy electrical equipment market segment are used in power plant components, devices for power grids and insulating parts and components. In addition, there are numerous devices, such as motors and magnetic coils used in trains and medical equipment, which are manufactured using epoxy and related technologies. Products for the light electrical equipment market segment are used in applications such as industrial automation and control, consumer electronics, car electronics and electrical components. The end customers in the electrical insulating materials market encompass the relevant original equipment manufacturer ("OEM") as well as numerous manufacturers of components used in the final products.

Our electrical materials business is a long-standing, certified global supplier to major manufacturers of electrical equipment such as ABB, Alstom, Bosch, Philips, Samsung, Schneider Electric, Shunde, Siemens and Sony.

We also develop, manufacture and market materials used in the production of printed circuit boards. Our products are ultimately used in industries ranging from telecommunications and personal computer mother board manufacture to automotive electronic systems manufacture. Our printed circuit board technologies business has three product lines:

soldermasks, which are heat, chemical and environmentally resistant coatings that allow various components and circuitry to be soldered to the surface of printed circuit boards;

liquid inner layer resists, which are temporary, photo-imageable materials which enable the generation of circuitry on the inner layers of printed circuit boards; and

dielectric materials, which are materials with electrical insulation properties that constitute an insulating layer in high-density, multi-layer printed circuit boards.

Soldermasks are our most important product line in the printed circuit board technologies business, particularly in Europe. Sales are made mainly under the Probimer®, Probimage®, and Probelec® trademarks. Probimer® is a widely recognized brand name for soldermasks. Our key customers for our electronics products in the printed circuit board market include Adiboard, AT&S, Compeq, Coretec, Elec & Eltek, Hitachi, Kansai Paint, NanYa BCB Co., Nippon Paint, Photocircuits NY, Ruwel, Sanmina, Via Systems and Wuerth Elektronic.

Market Trends. We have observed the following significant trends emerging in the markets for our products used for electrical and electronics materials:

Heavy electrical:

- Increased demand for energy in the rapidly developing countries of Asia is requiring construction of local infrastructure and increasing demand for our products in the region.
- Deregulation and privatization of public utilities, mainly in Europe, has resulted in a shake-up of the market having positive effects, such as increased capital investment in equipment using our products, and negative effects, such as increased pricing pressure.
- Concentration among power plant manufacturers is increasing worldwide.

Light electrical:

- End-user industries, particularly automotive and electronics, are applying pricing pressures on their suppliers.
- Rapid change in the electronics industry is driving innovation of light electrical equipment.
- Non-traditional formulation competitors are becoming increasingly active.

Printed circuit board:

- The printed circuit board materials industry is characterized by continually changing specifications and product criteria.
- There is an ongoing shift of production underway in the industry, with manufacturing of printed circuit boards being focused in China.
- These dynamics stem from the need for printed circuit boards with ever-improving performance, in reduced sizes and at cheaper prices. Given these dynamics, printed circuit board designs also have relatively short life spans of 12 to 18 months.

Competition. Competition for electrical insulating materials applications is based on technology, know-how, applications expertise, formulations expertise, reliability, performance and price. Manufacturers of heavy electrical equipment place more importance on reliability and level of support, while manufacturers of light electrical equipment choose materials offering the lowest cost, but also the required quality and performance. As a result, epoxy products, which offer a combination of price and performance superior to competing polyurethane and silicone and conventional glass and ceramic products, are widely used in heavy electrical equipment, and both epoxy and cheaper polyurethane products are used in light electrical equipment.

We believe that our competitive strengths in the electrical materials market are our long-standing customer relationships, product reliability and technical performance. Our key products used in heavy electrical and light electrical applications, such as resins, hardeners and auxiliaries, are tested and certified according to industry standards established by Underwriters Laboratories, International Electrotechnical Commission or Cenelec and also to customer-specific requirements. Our main competitors in the electrical insulating materials market segment include Altana, Bakelite, Schenectady, Wuxi, Dexter-Hysol, Hitachi Chemical, Nagase Chemtex, Toshiba Chemical and Vagnone & Boeri.

111

Competition in the printed circuit board materials business is based on price, technological innovation and the ability to provide process expertise and customer support. Consolidation among our customers has led to increased pricing pressure. We believe that our competitive strengths are our fully developed technology, our application technology center in Basel, Switzerland and our technology center under construction in Panyu, China, our global presence and long-standing relationships with key customers and OEMs, and the approval of our products by global OEMs. Major competitors of our soldermask business include Atotec, Coates, Cookson, Goo, Peters, Taiyo Ink and Tamura. Major competitors for our liquid resist business include Chung Yu, Eternal and Shipley.

Structural Composites. *Overview.* A structural composite is made by combining two or more different materials such as fibers, resins and other specialty additives to create a product with enhanced structural properties. Specifically, structural composites are lightweight, high-strength, rigid materials with high resistance to chemicals, moisture and high temperatures. Our product range comprises basic and advanced epoxy resins, curing agents, other advanced chemicals and additives and formulated polymer systems utilizing a variety of these products used in reinforced structures. The four key target markets for our structural composites are aerospace, industrial (mainly windmill blades for wind power generation and automotive applications), recreational (mainly sports equipment such as skis and tennis racquets) and electronic laminates used to manufacture printed circuit boards. Structural composites continue to be substituted for traditional materials, such as metals and wood, in a wide variety of applications due to their light weight, strength and durability. A key industry trend is the increased emphasis on customer collaboration, especially in the aerospace industry, where consistent quality of products is essential. Customers are increasingly seeking higher performance characteristics (such as improved temperature resistance). Our key customers for our structural composites products include Advanced Composites, Atomic, BMW, Bonus Energy, Cytec, Dow, GE Wind Energy, Guangdon Shengyi, Hexcel, Loctite, Polyclad, Rossignol, Toray and Vestas.

Market Trends. We have observed the following significant trends emerging in the markets for our products used in structural composite applications:

Aerospace:

- We expect composites as a percentage of total aircraft weight to reach their highest level in history with the expected 2005 introduction of the Airbus A380 and to increase with the Boeing 7E7. We believe orders for commercial aircraft are increasing.
- We expect military aerospace spending on composite materials per plane to increase with programs including the F-22 advanced tactical fighter, the C-17 cargo plane, the Eurofighter and the F-35 Joint Strike fighter.
- We believe demand for advanced composites will increase in the growing satellite market.

Automotive, industrial and recreational:

- Increased use of composites for lighter and more durable automotive, industrial and recreational products should increase demand for our composite resins.
- The reduction of overall costs for finished products should increase the demand for our composite resins.
- Demand is growing in the rapidly developing wind energy generation market.

Electronic laminates:

- Reduction in the size of boards and components is leading to higher operating temperatures, and the resultant need to remove halogens is favoring our high-performance systems.
- The electronic laminates industry is consolidating and migrating to Asia.

The return of growth of telecommunications and computing after several years of weakness is driving demand; however, recent weakness in these markets has had a negative impact on demand growth.

Competition. Competition in structural composites applications varies but is primarily driven by technology, know-how, applications expertise, formulations expertise, product performance, customer service and customer certification. We believe that our competitive strengths are our strong technology base, broad range of value-added products, leading market positions, diverse customer base and reputation for customer service. Pricing dynamics differ greatly among the various end-markets, largely due to their differing structures. Pricing in the aerospace market very much reflects the advanced technology and applications know-how which we provide to customers. Pricing is typically more competitive in the industrial and recreational markets due to the more standardized requirements of the end-user market and higher sales volumes compared to those of the aerospace business. Competition in the electrical laminates industry is largely price-driven due to the standard nature of the products supplied, the highly price-sensitive nature of the electronics industry and the ability of customers to source globally. Our competitors in the structural composites business include Bakelite, DIC, Dow, Mitsui, Resolution Performance Products and Sumitomo. In the aerospace business, we compete principally with Mitsui and Sumitomo. Our competitors in the automotive, industrial and recreational business include Resolution Performance Products, Dow and Bakelite. Finally, our competitors in the laminates business include all of these companies as well as NanYa.

Surface Technologies. *Overview.* Our surface technologies products are used for the protection of steel and concrete substrates, such as floorings, metal furniture and appliances, buildings, linings of storage tanks and food and beverage cans, and the primer coat of automobile bodies and ships, among other applications. Epoxy-based surface coatings are among the most widely used industrial coatings, due to their structural stability and broad application functionality combined with overall economic efficiency. We focus our efforts in coating systems applications in utilizing our applications expertise and broad product range to provide formulated polymer systems to our customers. We believe our range of curing agents, matting agents, accelerators, cross-linkers, reactive diluents and thermoplastic polyamides, together with our basic and advanced epoxy resin compounds, distinguish us in the various end markets for coating systems. Our key customers for our coatings products include Akzo Nobel, Ameron, Asian Paint Industrial, BASF, DuPont, Rohm & Haas, Rinol, Sherwin Williams, Sigma Coatings, Sika and Valspar.

Market Trends. Trends in the markets for our various coating systems applications generally are being driven to a great extent by regulation, including the imposition of tougher environmental regulations regarding volatile organic compounds. These regulations have caused coatings manufacturers to seek to replace solvent-based coatings with water-based, high solids, powder and ultraviolet curable coatings. In our major markets for coating systems, we have identified the following significant trends:

We expect infrastructure projects and renovation to underpin growth in civil engineering applications.

Customers are requiring curing agents and additives which give superior coating performance, together with ease of use.

New application segments like powder coating of wood, paper and plastic are driving growth, whereas traditional applications such as domestic appliances and metal furniture are reaching maturity.

Concentration among manufacturers is increasing.

Competition. Competition in coating systems is primarily driven by product performance, service and customer certification. We believe that the competitive strengths of our coating systems business are our strong technology base, broad range of value-added products, leading market positions, diverse customer base and reputation for customer service. Our major competitors for formulated polymer systems and complex chemicals and additives used in coatings systems are Air Products, Arizona, Bakelite, Cognis, Cray Valley and Degussa.

Competition in basic liquid and solid epoxy resins is primarily driven by price. There are two major manufacturers of basic epoxy resins used in industrial protective coatings, Dow and Resolution Performance Products. Other participants in this market include Air Products, BASF, Kukdo, Leuna and NanYa. Competition in coating systems is increasingly becoming more global, with trends toward industry consolidation and the emergence of new competitors in Asia. Our competitors are considerably more fragmented in Asia than in Europe and North America.

Tooling and Modeling Materials. *Overview.* We produce mainly polyurethane-based and epoxy formulated polymer systems used in the production of models, prototypes, patterns, molds and a variety of related products for design, prototyping and short-run manufacture. Our products are used extensively in the automotive, aerospace and industrial markets as productivity tools to quickly and efficiently create accurate prototypes and develop experimental models, and to lower the cost of manufacturing items in limited quantities primarily using computer-aided-design techniques. Our tooling and modeling materials are used because of their strength, resilience, high temperature resistance or dimensional stability coupled with low shrinkage and ease of cure. In applications where ease and speed of processing, size of finished product and low abrasion are more important, polyurethane resins are gaining increasing recognition. We separate the overall tooling and modeling materials market into two distinct groups: standard tooling and modeling materials and stereolithography technology.

Our standard tooling and modeling materials are polymer-based materials used by craftsmen to make the traditional patterns, molds, models, jigs and fixtures required by the foundry, automotive, ceramics and other such industries. Techniques have evolved with computer-aided-design and modern engineering processes. Customers wishing to produce a model of a design require a rapid method of producing such a model. We provide consumables to be used in high technology machinery made by manufacturers to produce these models. In developing these solutions, we have worked closely with consumers to meet their demands. We are well-placed to drive the development of the market through our strong leadership position and wide breadth of application expertise.

Stereolithography is a technology that is used to accurately produce physical three-dimensional models directly from computer-aided-design data without cutting, machining or tooling. The models are produced by selectively curing a light-sensitive liquid resin with a laser beam. Stereolithography is the most accurate technology commercially available for producing complex three-dimensional models. Models produced using this technology have a high-quality finish with fine detail. Stereolithography can be used for a variety of applications, including the production of concept models, master models, prototypes used for functional testing, tools and for short-run production parts. We sell our stereolithography products to customers in the aerospace, appliance, automotive, consumer, electronics and medical markets.

Our key customers for our tooling and modeling materials products include Arrk, BMW, Boeing, Daimler Chrysler, Elenics, Ford, Freeman, GMC, Honda, Incs, Lego, Mattel, Motorola, MS Composites, Pratt & Whitney, Toyota and Vestas.

Market Trends. We have observed the following significant trends emerging in the markets for our tooling and modeling products:

New computer-aided design applications are eliminating traditional prototyping processes. Computer-aided-design leads to faster and ultimately cheaper production prototyping and tooling.

New high-end applications are allowing improved quality with cheaper and faster processing opening entirely new fields of activity (e.g., liquid transfer molding).

Frequent product design changes are driving the demand for our products.

Metal tools are being replaced with polymer tools in standard solutions.

Our products with high structural integrity can be used as materials for short production series.

Competition. Competition in standard tooling and modeling solutions is based on quality of service, technical solutions, range, competitive prices and prompt supply, including 24-hour delivery if required. This market segment is generally characterized by pricing pressure and intense competition. Competition in stereolithography is driven by the requirement for innovative solutions. We believe that our competitive strength is our broad range of products, which we make available on a global basis, covering all of the needs of both our standard tooling and modeling and stereolithography customers. A few large manufacturers (including Axson, DSM and Sika), as well as many small, local manufacturers provide a limited product range to local regions in the plastic tooling and modeling solutions market but none have our breadth of product offering.

Sales and Marketing

We maintain multiple routes to market to service our diverse customer base. These routes to market range from using our own direct sales force to targeted, technically-oriented distribution to mass general distribution. Our direct sales force targets sales and specifications to engineering solutions decision-makers at major customers who purchase significant amounts of products from us. We use technically-oriented specialist distributors to augment our sales effort in niche markets and applications where we do not believe it is appropriate to develop direct sales resources. We use mass general distribution channels to sell our products into a wide range of general applications where technical expertise is less important to the user of the products to reduce our overall selling expenses. We believe our use of multiple routes to market enables us to reach a broader customer base at an efficient cost.

We conduct the sales activities for our market groups through separate dedicated regional sales forces in the Americas, Europe, Africa and the Middle East ("EAME") and Asia. Our global customers are covered by key account managers who are familiar with the specific requirements of their clients. The management of long-standing customer relationships, some of which are 20 to 30 years old, is at the heart of the sales and marketing process. We are also supported by a strong network of distributors. We serve a highly fragmented customer base. In the last twelve months, we marketed over 6,000 products to more than 5,000 customers. In addition, our largest customer accounted for less than 3% of our revenues during the year ended December 31, 2003.

For our consumer adhesives, we have entered into exclusive branding and distribution arrangements with, for example, Bostik in Europe and Shelleys in Australia. Under these arrangements, our distribution partners fund advertising and sales promotions, negotiate and sell to major retail chains, own inventories and provide store deliveries (and sometimes shelf merchandising) in exchange for a reliable, high-quality supply of Araldite® branded, ready-to-sell packaged products.

Manufacturing and Operations

We are a global business serving customers in three principal geographic regions: EAME; North and South America; and Asia Pacific. To service our customers efficiently, we maintain 15 manufacturing plants around with the world with a strategy of global, regional and local manufacturing

employed to optimize the level of service and minimize the cost to our customers. The table below summarizes the plants that we currently operate:

Location	Description of Facility
Bergkamen, Germany[1]	Synthesis Facility
Monthey, Switzerland	Resins and Synthesis Facility
Pamplona, Spain	Resins and Synthesis Facility
McIntosh, Alabama	Resins and Synthesis Facility
Chennai, India[2]	Resins and Synthesis Facility
Bad Saeckingen, Germany[3]	Formulating Facility
Duxford, U.K.	Formulating Facility
Sadat City, Egypt	Formulating Facility
Taboão da Serra, Brazil	Formulating Facility
Kaohsiung, Taiwan	Formulating Facility
Panyu, China[3][4]	Formulating Facility
Thomastown, Australia[5]	Formulating Facility
East Lansing, Michigan	Formulating Facility
Istanbul, Turkey[3]	Formulating Facility
Los Angeles, California	Formulating Facility

(1) We shut down our base resin production line at this facility in the first quarter of 2004.

(2) 76%-owned manufacturing joint venture with Tamilnadu Petroproducts Limited.

(3) Leased land and/or building.

(4) 95%-owned manufacturing joint venture with Guangdong Panyu Shilou Town Economic Development Co. Ltd.

(5) We have announced that we intend to close this facility in 2005.

Our facilities in Asia are well-positioned to take advantage of the market growth that is expected in this region. Furthermore, we believe that we are the largest producer of epoxy resin compounds in India.

Raw Materials

The principal raw materials we purchase for the manufacture of basic and advanced epoxy resins are epichlorohydrin, bisphenol A, tetrabromobisphenol A and BLR. We also purchase amines, polyols, isocyanates, acrylic materials, hardeners and fillers for the production of our formulated polymer systems and complex chemicals and additives. Raw material costs constitute a sizeable percentage of sales for certain applications, particularly surface technologies. We have supply contracts with a number of suppliers, including, for example, Dow. The terms of our supply contracts vary. In general, these contracts contain provisions that set forth the quantities of product to be supplied and purchased and formula based pricing.

Additionally, we produce some of our most important raw materials, such as BLR and its basic derivatives, which are the basic building blocks of many of our products. We are the third largest producer of BLR in the world. Approximately 50% of the BLR we produce is consumed in the production of our formulated polymer systems. The balance of our BLR is sold as liquid or solid resin in the merchant market, allowing us to increase the utilization of our production plants and lower our overall BLR production cost. We believe that manufacturing a substantial proportion of our principal raw material gives us a competitive advantage over other epoxy-based polymer systems formulators, most of whom must buy BLR from third-party suppliers. This position helps protect us from pricing pressure from BLR suppliers and aids in providing us a stable supply of BLR in difficult market conditions.

We consume certain amines produced by our Performance Products segment and isocyanates produced by our Polyurethanes segment, which we use to formulate advanced materials products. In some cases, we use tolling arrangements with third parties to convert our Base Chemicals products into certain of our key raw materials.

Performance Products

General

Our Performance Products segment is organized around three business groups, performance specialties, performance intermediates, and maleic anhydride and licensing, and serves a wide variety of consumer and industrial end markets. In performance specialties, we are a leading global producer of amines, carbonates and certain specialty surfactants. Growth in demand in our performance specialties business tends to be driven by the end-performance characteristics that our products deliver to our customers. These products are manufactured for use in a growing number of niche industrial end uses and have been characterized by growing demand and stable profitability. For example, we are one of two significant global producers of polyetheramines, for which our sales volumes have grown at a compound annual rate of over 13% in the last ten years due to strong demand in a number of industrial applications, such as epoxy curing agents, fuel additives and civil construction materials. In performance intermediates, we consume internally produced and third-party-sourced base petrochemicals in the manufacture of our surfactants, LAB and ethanolamines products, which are primarily used in detergent and consumer products applications. We also produce EG, which is primarily used in the production of polyester fibers and PET packaging, and EO, all of which is consumed internally in the production of our downstream products. We believe we are North America's largest and lowest-cost producer of maleic anhydride. Maleic anhydride is the building block for UPRs, mainly used in the production of fiberglass reinforced resins for marine, automotive and construction products. We are the leading global licensor of maleic anhydride manufacturing technology and are also the largest supplier of catalyst used in the manufacture of maleic anhydride. We operate 16 Performance Products manufacturing facilities in North America, Europe and Australia.

Our Products. We have the annual capacity to produce approximately 960 million pounds of more than 250 amines and other performance chemicals. We believe we are the largest global producer of polyetheramines, propylene carbonates, ethylene carbonates and morpholine, the second-largest global producer of ethyleneamines and the third-largest North American producer of ethanolamines. We also produce DGA and substituted propylamines. These products are manufactured at our Port Neches, Conroe and Freeport, Texas facilities and at our facilities in Llanelli, U.K. and Petfurdo, Hungary. We use internally produced ethylene, EO, EG and PO in the manufacture of many of our amines. Our amines are used in a wide variety of consumer and industrial applications, including personal care products, polyurethane foam, fuel and lubricant additives, paints and coatings, solvents and catalysts. Our key amines customers include Akzo, ChevronTexaco, Cognis, Hercules, Monsanto and PPG.

We have the capacity to produce approximately 2.8 billion pounds of surfactant products annually at our 10 facilities located in North America, Europe and Australia. Our surfactants business is a leading global manufacturer of nonionic, anionic, cationic and amphoteric surfactants products and is characterized by its breadth of product offering and market coverage. Our surfactant products are primarily used in consumer detergent and industrial cleaning applications. In addition, we manufacture and market a diversified range of mild surfactants and specialty formulations for use in baby shampoos and other personal care applications. We are also a leading European producer of powder and liquid laundry detergents and other cleaners. In addition, we offer a wide range of surfactants and formulated specialty products for use in various industrial applications such as leather and textile treatment, foundry and construction, agrochemicals, polymers and coatings. Our key surfactants customers include Ecolab, Huish, L'Oreal, Monsanto, Nufarm, Procter & Gamble and Unilever.

We are North America's second-largest producer of LAB, with capacity of 400 million pounds per year at our plant in Chocolate Bayou, Texas. LAB is a surfactant intermediate which is converted into LAS, a major anionic surfactant used worldwide for the production of consumer, industrial and institutional laundry detergents. We have also developed a process for the manufacture of a higher-molecular-weight LAB product to be used as an additive to lubricants. Our key customers for LAB include Colgate, Henkel, Lubrizol, Procter & Gamble and Unilever.

We are North America's largest producer of maleic anhydride, a highly versatile chemical intermediate that is used to produce UPRs, which are mainly used in the production of fiberglass reinforced resins for marine, automotive and construction products. We have the capacity to produce approximately 240 million pounds annually at our facility located in Pensacola, Florida. We also own a 50% interest in Sasol-Huntsman GmbH & Co. KG, which owns and operates a facility in Moers, Germany with an annual capacity of 125 million pounds. We supply our catalysts to licensees and to worldwide merchant customers, including supplying catalyst to two of the three other U.S. maleic anhydride producers. As a result of our long-standing research and development efforts aided by our pilot and catalyst preparation plants, we have successfully introduced six generations of our maleic anhydride catalysts. Revenue from licensing and catalyst comes from new plant commissioning, as well as current plant retrofits and catalyst change schedules. Our key maleic anhydride customers include AOC, ChevronTexaco, Cook Composites, Dixie, Lubrizol and Reichhold.

We also have the capacity to produce approximately 945 million pounds of EG annually at our facilities in Botany, Australia and Port Neches, Texas.

Industry Overview

Performance Specialties. The following table shows the end-market applications for our performance specialties products:

Product Group	Applications
Specialty Amines	liquid soaps; personal care; lubricant and fuel additives; polyurethane foams; fabric softeners; paints and coatings; refinery processing; water treating
Polyetheramines	polyurethane foams and insulation; construction and flooring; paints and coatings; lubricant and fuel additives; adhesives
Ethyleneamines	lubricant and fuel additives; epoxy hardeners; wet strength resins; chelating agents; fungicides
Morpholines/DGA and Gas Treating	hydrocarbon processing; construction chemicals; synthetic rubber; water treating; electronics applications; gas treatment and agriculture
Carbonates	lubricant and fuel additives; agriculture; electronics applications; textile treatment
Specialty Surfactants	agricultural herbicides; construction; paper de-inking

Our performance specialties products are organized around the following end markets: coatings, polymers and resins; process additives; resources, fuels and lubricants; and agrochemicals.

Amines. Amines broadly refers to the family of intermediate chemicals that are produced by reacting ammonia with various ethylene and propylene derivatives. Generally, amines are valued for their properties as a reactive, emulsifying, dispersant, detergent, solvent or corrosion inhibiting agent. Growth in demand for amines is highly correlated with GDP growth due to its strong links to general industrial and consumer products markets. However, certain segments of the amines market, such as polyetheramines, have grown at rates well in excess of GDP growth due to new product development, technical innovation, and substitution and replacement of competing products. For example, polyetheramines are used by customers who demand increasingly sophisticated performance characteristics as an additive in the manufacture of highly customized epoxy formulations, enabling the

customers to penetrate new markets and substitute for traditional curing materials. As amines are generally sold based upon the performance characteristics that they provide to customer-specific end use application, pricing for amines tends to be stable and does not generally fluctuate with movements in underlying raw materials.

Morpholine/DGA . Morpholine and DGA are produced as co-products by reacting ammonia with DEG. Morpholine is used in a number of niche industrial applications including rubber curing (as an accelerator) and flocculants for water treatment. DGA is primarily used in gas treating, electronics, herbicides and metalworking end-use applications.

Carbonates. Ethylene and propylene carbonates are manufactured by reacting EO and PO with carbon dioxide. Carbonates are used as solvents and as reactive diluents in polymer and coating applications. They are also increasingly being used as a photo-resist solvent in the manufacture of printed circuit boards and the production of lithium batteries. Also, propylene carbonates have recently received EPA approval for use as a solvent in certain agricultural applications. We expect these solvents to replace traditional aromatic solvents that are increasingly subject to legislative restrictions and prohibitions.

Performance Intermediates. The following table sets forth the end markets for products made in our performance intermediates business:

Product Group	End Markets
Surfactants	
Alkoxylates	household detergents; industrial cleaners; anti-fog chemicals for glass; asphalt emulsions; shampoos; polymerization additives; de-emulsifiers for petroleum production
Sulfonates/Sulfates	powdered detergents; liquid detergents; shampoos; body washes; dishwashing liquids; industrial cleaners; emulsion polymerization; concrete superplasticizers; gypsum wallboard
Esters and Derivatives	shampoo; body wash; textile and leather treatment
Nitrogen Derivatives	bleach thickeners; baby shampoo; fabric conditioners; other personal care products
Formulated Blends	household detergents; textile and leather treatment; personal care products; pharmaceutical intermediates
EO/PO Block Co-Polymers	automatic dishwasher detergents
Ethanolamines	wood preservatives; herbicides; construction; gas treatment; metalworking
LAB	consumer detergents; industrial and institutional detergents; synthetic lubricants
EG	polyester fibers and PET bottle resins; antifreeze

Surfactants. Surfactants or "surface active agents" are substances that combine a water-soluble component with a water insoluble component in the same molecule. While surfactants are most commonly used for their detergency in cleaning applications, they are also valued for their emulsification, foaming, dispersing, penetrating and wetting properties in a variety of industries. While

growth in demand for surfactants is highly correlated with GDP growth due to its strong links with the household cleaning and general industrial markets, Nexant expects certain segments of the surfactants market, including personal care, to grow faster than GDP.

According to Nexant, global demand in 2003 for surfactants was approximately 24 billion pounds. Demand growth for surfactants is relatively stable and exhibits little cyclicality. The main consumer product applications for surfactants can demand new formulations with unproved performance characteristics, and as a result life cycles for these consumer end products can often be quite short. This affords considerable opportunity for innovative surfactants manufacturers like us to provide surfactants and blends with differentiated specifications and properties. For basic surfactants, pricing tends to have a strong relationship to underlying raw material prices and usually lags petrochemical price movements. However, pricing in recent years has also been adversely affected by the growing purchasing power of "soapers," such as Procter & Gamble and Unilever. The "big box" stores, such as Wal-mart and Costco have also placed pricing pressure along the surfactant value chain.

Ethanolamines. Ethanolamines are a range of chemicals produced by the reaction of EO with ammonia. They are used as intermediates in the production of a variety of industrial, agricultural and consumer products. There are a limited number of competitors due the technical and cost barriers to entry. Growth in this sector has typically been higher than GDP and in the last few years has benefited in particular from the conversion to ethanolamines in the formulation of wood treatment products. The ethanolamine market in North America is tight with industry operating rates currently running in excess of 90% of stated capacity. Despite these high operating rates in ethanolamines, there are no new announced capacity expansions. We expect all producers to evaluate debottlenecking initiatives to meet the expected market demand.

LAB. LAB is a surfactant intermediate which is produced through the reaction of benzene with either normal paraffins or linear alpha olefins. Nearly all the LAB produced globally is converted into LAS, a major anionic surfactant used worldwide for the production of consumer, industrial and institutional laundry detergents.

Four major manufacturers lead the traditional detergency market for LAB in North America: Procter & Gamble, Henkel, Unilever and Colgate Palmolive. According to Nexant, these four largest detergent manufacturers consume approximately 700 million pounds of LAB annually in North America. According to Nexant, worldwide, there are some 22 producers of LAB, but 65% of capacity lies in the hands of seven producers, with two or three major players in each of the three regional markets. According to Nexant, global capacity for LAB is 6.6 billion pounds, approximately 1.9 billion pounds of which is installed in the Americas. Although the North American market for LAB is mature, Nexant expects the South American market to grow as detergent demand grows at a faster rate than in more developed countries. Nexant expects any excess LAB capacity in North America to be sold into the growing South American markets.

For several years through 2002, our LAB business benefited from a market environment where the supply/demand balance for LAB in the Americas was favorable for producers and prices for alternate products had not been very competitive. From a competition perspective, compounds derived from alcohol and its derivatives can be used in place of LAB in certain detergent formulations. In the past year, a significant amount of new alcohol production capacity has come on stream resulting in lower prices for these alcohol-based compounds. As a result, LAB has become less attractive to buyers who have the option to formulate their products with either of these two raw materials and as a result, margins for LAB producers have come under pressure.

EG. We consume our internally produced EO to produce three types of EG: MEG, DEG and TEG. According to Nexant, total demand for MEG in North America in 2003 was 6.2 billion pounds, with demand growing at a compound growth rate of 2.2% since 1992. MEG is consumed primarily in the polyester (fiber and bottle resin) and antifreeze end markets, which, together, according to Nexant,

comprised approximately 61% and 30% of MEG demand, respectively, in 2003. EG is also used in a wide variety of industrial applications including synthetic lubricants, plasticizers, solvents and emulsifiers.

The EG supply/demand balance in North America is fairly tight, with average industry operating rates of approximately 90% in the first half of 2004, according to Nexant. Due to continued strong demand for polyester fibers, particularly in Asia, Nexant expects margins to continue to improve in the near term. However, new capacity in Asia and the Middle East will come on line by 2006, alleviating the current tightness in the supply/demand balance.

Maleic Anhydride and Licensing. The following table sets forth the end markets for products made in our maleic anhydride business:

Product Group	End Markets
Maleic anhydride	boat hulls; automotive; construction; lubricant and fuel additives; countertops; agrochemicals; paper; and food additives
Maleic anhydride catalyst and technology licensing	maleic anhydride and BDO manufacturers

Maleic anhydride is a chemical intermediate that is produced by oxidizing either benzene or normal butane through the use of a catalyst. The largest use of maleic anhydride in the U.S. is in the production of UPRs, which we believe account for approximately 57% of U.S. maleic anhydride demand. UPR is the main ingredient in fiberglass reinforced resins, which are used for marine and automotive applications and commercial, and residential construction products.

Our maleic anhydride technology is a proprietary fixed bed process with solvent recovery and is characterized by low butane consumption and an energy-efficient, high-percentage-recovery solvent recovery system. This process competes against two other processes, the fluid bed process and the fixed bed process with water recovery. We believe that our process is superior in the areas of feedstock and energy efficiency and solvent recovery. The maleic anhydride-based route to BDO manufacture is currently the preferred process technology and is favored over the other routes, which include PO, butadiene and acetylene as feedstocks. As a result, the growth in demand for BDO has resulted in increased demand for our maleic anhydride technology.

Total U.S. demand for maleic anhydride is approximately 525 million pounds. Over time, demand for maleic anhydride has generally grown at rates that slightly exceed GDP growth. However, given its dependence on the UPR market, which is heavily influenced by construction end markets, demand can be cyclical. Pricing for maleic anhydride in North America over the past several years has been stable. Generally, changes in price have resulted from changes in industry capacity utilization as opposed to changes in underlying raw material costs.

Sales and Marketing

We sell over 2,000 products to over 4,000 customers globally through our marketing group, which has extensive market knowledge, considerable chemical industry experience and well established customer relationships.

Our performance specialties businesses are organized around end-use market applications, such as coatings, polymers and resins and agrochemical. In these end uses, our marketing efforts are focused on how our product offerings perform in certain customer applications. We believe that this approach enhances the value of our product offerings and creates opportunities for on-going differentiation in our development activities with our customers. Our performance intermediates and maleic anhydride

businesses organize their marketing efforts around their products and geographic regions served. We also provide extensive pre-and post-sales technical service support to our customers where our technical service professionals work closely with our research and development functions to tailor our product offerings to meet our customers unique and changing requirements. Finally, these technical service professionals interact closely with our market managers and business leadership teams to help guide future offerings and market approach strategies.

In addition to our focused direct sales efforts, we maintain an extensive global network of distributors and agents that also sell our products. These distributors and agents typically promote our products to smaller end use customers who cannot cost effectively be served by our direct sales forces.

Manufacturing and Operations

Our Performance Products segment has the capacity to produce approximately 6.5 billion pounds annually of a wide variety of specialty, intermediate and commodity products and formulations at 16 manufacturing locations in North America, Europe and Australia.

These production capacities are as follows (in millions of pounds):

	Current capacity			
Product Area	**North America**	**Europe**	**Australia**	**Total**
Performance Specialties				
Amines	415	130[(1)]		545
Specialty surfactants	100	100	100	300
Carbonates	75			75
Performance Intermediates				
EO	1,000		100	1,100
EG	890		55	945
Surfactants	860	1,590		2,450
Ethanolamines	340			340
LAB	400			400
Maleic anhydride	240	125[(2)]		365

(1) Includes up to 30 million pounds of ethyleneamines that are made available from Dow's Terneuzen, Netherlands facility by way of a long-term tolling arrangement.

(2) Represents total capacity of a facility owned by Sasol-Huntsman GmbH & Co. KG, of which we own a 50% interest and Sasol owns the remaining 50% interest.

Our surfactants and amines facilities are located globally, with broad capabilities in amination, sulfonation and ethoxylation. These facilities have a competitive cost base and use modern manufacturing units that allow for flexibility in production capabilities and technical innovation.

Our primary EO, EG and ethanolamines facilities are located in Port Neches, Texas and adjacent to the olefins facility operated by our Base Chemicals segment, which results in a stable, cost-effective source of raw material for these ethylene derivatives. The Port Neches, Texas facility also benefits from extensive logistics infrastructure, which allows for efficient sourcing of other raw materials and distribution of finished products.

Our LAB facility in Chocolate Bayou, Texas and our maleic anhydride facility in Pensacola, Florida are both located within large, integrated petrochemical manufacturing complexes operated by Solutia. We believe this results in greater scale and lower costs for our products than we would be able to obtain if these facilities were stand-alone operations.

122

We have recently announced our intention to restructure our European surfactants business. This restructuring is expected to result in a significant downsizing of our Whitehaven, U.K. facility. This downsizing, along with actions at other European facilities, is expected to result in the reduction of approximately 320 employees throughout Europe over the next 15 months.

Raw Materials

We currently use approximately 850 million pounds of ethylene produced each year at our Port Arthur and Port Neches, Texas facilities in the production of EO and ethyleneamines. We consume all of our EO in the manufacture of our EG, surfactants and amines products. We also use internally produced PO and DEG in the manufacture of these products.

In addition to internally produced raw materials, our performance specialties business purchases over 250 compounds in varying quantities, the largest of which includes ethylene dichloride, caustic soda, synthetic alcohols, paraffin, nonyl phenol, ammonia, methylamines and acrylonitrile. The majority of these raw materials are available from multiple sources in the merchant market at competitive prices.

In our performance intermediates business, our primary raw materials, in additional to internally produced and third-party sourced EO, are synthetic and natural alcohols, fatty acids, paraffin, benzene and nonyl phenol. All of these raw materials are widely available in the merchant market at competitive prices.

Maleic anhydride is produced by the reaction of n-butane with oxygen using our proprietary catalyst. The principal raw material is n-butane which is purchased pursuant to long-term contracts and delivered to our Pensacola, Florida site by barge. Our maleic anhydride catalyst is toll-manufactured by Engelhard under a long-term contract according to our proprietary methods.

Competition

In our performance specialties business, there are few competitors for many of our products due to the considerable customization of product formulations, the proprietary nature of many of our product applications and manufacturing processes and the relatively high research and development and technical costs involved. Some of our global competitors include BASF, Air Products, Dow, and Akzo. We compete primarily on the basis of product performance, new product innovation and, to a lesser extent, on the basis of price.

There are numerous global producers of many of our performance intermediates products. Our main competitors include global companies such as Dow, Sasol, BASF, Petresa, Equistar, Shell, Cognis, Stepan and Kao, as well as various smaller or more local competitors. We compete on the basis of price with respect to the majority of our product offerings and, to a lesser degree, on the basis of product availability, performance and service with respect to certain of our more value-added products.

In our maleic anhydride business, we compete primarily on the basis of price, customer service and plant location. Our competitors include Lanxess, Koch, Ashland, Lonza and BASF. We are the leading global producer of maleic anhydride catalyst. Competitors in our maleic anhydride catalyst business include Scientific Design and BP. In our maleic anhydride technology licensing business, our primary competitor is Scientific Design. We compete primarily on the basis of technological performance and service.

Pigments

General

We are a leading global manufacturer and marketer of titanium dioxide, which is a white pigment used to impart whiteness, brightness and opacity to products such as paints, plastics, paper, printing inks, fibers and ceramics. According to IBMA, our Pigments segment, which operates under the trade name Tioxide®, is the fourth-largest producer of titanium dioxide in the world, with an estimated 12% of global production capacity, and the largest producer of titanium dioxide in Western Europe, with an estimated 23% of Western European production capacity. The global titanium dioxide market is characterized by a small number of large, global producers. We operate eight chloride-based and sulfate-based titanium dioxide manufacturing facilities located in North America, Europe, Asia and Africa.

We offer an extensive range of products that are sold worldwide to approximately 1,500 customers in all major titanium dioxide end markets and geographic regions. The geographic diversity of our manufacturing facilities allows our Pigments segment to service local customers, as well as global customers that require delivery to more than one location. Our diverse customer base includes Ampacet, A. Schulman, Akzo Nobel, Atofina, BASF, Cabot, Clariant, ICI, Jotun and PolyOne. Our pigments business has an aggregate annual nameplate capacity of approximately 550,000 tonnes at our eight production facilities. Five of our titanium dioxide manufacturing plants are located in Europe, one is in North America, one is in Asia, and one is in South Africa. Our North American operation consists of a 50% interest in a manufacturing joint venture with Kronos Worldwide, Inc.

Our Pigments segment is focused on cost control and productivity. In July 2004, we idled 15,000 tonnes of nameplate capacity at our Umbogintwini, South Africa facility, and in November 2004 we idled 40,000 tonnes of nameplate capacity at our Grimsby, U.K. facility, which together represent about 10% of our total titanium dioxide production capacity. Through these closures and other cost saving measures, we will improve our cost position and enhance our ability to compete in the global marketplace. Our other cost saving measures include the optimization of the geographic distribution of our sales, the consolidation of back-office functions and the continued reduction of our fixed and variable costs at each of our manufacturing facilities.

Industry Overview

Global consumption of titanium dioxide was 4.1 million tonnes in 2003 according to IBMA. Historically, global titanium dioxide demand growth rates tend to closely track global GDP growth rates. However, the demand growth rate and its relationship with the GDP growth rate varies by region. Developed markets such as the U.S. and Western Europe exhibit higher absolute consumption but lower demand growth rates, while emerging markets such as Asia exhibit much higher demand growth rates. The titanium dioxide industry experiences some seasonality in its sales because paint sales generally peak during the spring and summer months in the northern hemisphere, resulting in greater sales volumes during the second and third quarters of the year.

There are two manufacturing processes for the production of titanium dioxide, the sulfate process and the chloride process. Most recent capacity additions have employed the chloride process technology and, currently, the chloride process accounts for approximately 69% of global production capacity according to IBMA. However, the global distribution of sulfate- and chloride-based titanium dioxide capacity varies by region, with the sulfate process being predominant in Europe, our primary market. The chloride process is the predominant process used in North America, and both processes are used in Asia. While most end-use applications can use pigments produced by either process, market preferences typically favor products that are locally available. According to IBMA, the chloride and sulfate manufacturing processes compete effectively in the marketplace.

The global titanium dioxide market is characterized by a small number of large global producers. The titanium dioxide industry currently has five major producers (DuPont, Millennium Chemicals, Kerr-McGee, our company and Kronos Worldwide), which accounted for approximately 75% of the global market share in 2003, according to IBMA. Titanium dioxide supply has historically kept pace with increases in demand as producers increased capacity through low cost incremental debottlenecks and efficiency improvements. According to IBMA, this trend is likely to continue with production growth of approximately 2% per year. During periods of low titanium dioxide demand, the industry experiences high stock levels and consequently reduces production to manage working capital. Because pricing in the industry is driven primarily by supply/demand balance, prices have tended to be driven down by lower capacity utilization during periods of weak demand. The last major greenfield titanium dioxide capacity addition was in 1994, and there are no currently announced plans for major greenfield titanium dioxide expansions. Based upon current price levels and the long lead times for planning, governmental approvals and construction, we do not expect significant additional greenfield capacity in the near future.

We believe that demand recovered in 2004. In addition, capacity additions have been limited. These factors have resulted in higher industry operating rates and lower inventory levels. According to IBMA, in response to these trends, all major producers have recently announced price increases in all major markets, which is expected to result in improved profitability for the global titanium dioxide industry.

Sales and Marketing

Approximately 85% of our titanium dioxide sales are made through our direct sales and technical services network, enabling us to cooperate more closely with our customers and to respond to our increasingly global customer base. Our concentrated sales effort and local manufacturing presence have allowed us to achieve our leading market shares in a number of the countries where we manufacture titanium dioxide.

In addition, we have focused on marketing products to higher growth industries. For example, we believe that our pigments business is well-positioned to benefit from the projected growth in the plastics sector, which, according to IBMA, is expected to grow faster than the overall titanium dioxide market over the next several years. The table below summarizes the major end markets for our pigments products:

	2003 Global Market[1]		Huntsman 2003 Sales			
End Markets	**Size**	**% of Total**	**Volume**	**% of Total**	**Key Customers**	**Global Market Compound Annual Growth Rate from 1992 to 2003[1]**
		(thousands of tonnes)				
Coatings	2,538	62%	304	59%	Akzo, ICI, Jotun, Sigma Kalon	2.0%
Plastics	815	20%	159	31%	A. Schulman, Ampacet, Cabot, GE, PolyOne	4.3%
Papers	439	11%	7	1%	Rock-Tenn, Portals Holdings	2.5%
Other	289	7%	47	9%	BASF, Sun-DIC, Teijin, Sensient	(1.7)%
Total	4,081	100%	517	100%		2.6%

(1) *Source: IBMA*

Manufacturing and Operations

Our pigments business has eight manufacturing sites in seven countries with a total capacity of approximately 590,000 tonnes per year. Approximately 74% of our titanium dioxide capacity is located in Western Europe. The following table presents information regarding our titanium dioxide facilities:

Region	Site	Annual Capacity (tonnes)	Process
Western Europe	Greatham, U.K	100,000	Chloride
	Calais, France	95,000	Sulfate
	Grimsby, U.K.[1]	40,000	Sulfate
	Huelva, Spain	80,000	Sulfate
	Scarlino, Italy	80,000	Sulfate
North America	Lake Charles, Louisiana[2]	70,000	Chloride
Asia	Teluk Kalung, Malaysia	60,000	Sulfate
Southern Africa	Umbogintwini, South Africa[3]	25,000	Sulfate
Total		550,000	

(1) Reflects the idling of 40,000 tonnes of nameplate capacity at our Grimsby, U.K. facility in November 2004.

(2) This facility is owned and operated by Louisiana Pigment Company, L.P., a manufacturing joint venture that is owned 50% by us and 50% by Kronos Worldwide. The capacity shown reflects our 50% interest in Louisiana Pigment Company L.P.

(3) Reflects the idling of 15,000 tonnes of nameplate capacity at our Umbogintwini, South Africa facility in July 2004.

We are well positioned to implement a number of low cost expansions of our Greatham, U.K. and Huelva, Spain plants. We are also well positioned to selectively invest in new plant capacity based upon our ICON chloride technology. ICON technology allows for the construction of new capacity with world-scale economics at a minimum nameplate size of 65,000 tonnes. We believe competing chloride technologies typically require a minimum capacity of 100,000 tonnes to achieve comparable economics. Our chloride additions can be more easily absorbed into the market, which provides higher investment returns than larger capacity additions.

Joint Ventures

We own a 50% interest in Louisiana Pigment Company L.P., a manufacturing joint venture located in Lake Charles, Louisiana. The remaining 50% interest is held by our joint venture partner, Kronos Worldwide. We share production offtake and operating costs of the plant equally with Kronos Worldwide, though we market our share of the production independently. The operations of the joint venture are under the direction of a supervisory committee on which each partner has equal representation.

Raw Materials

The primary raw materials used to produce titanium dioxide are titanium-bearing ores. We purchase the majority of our ore under long-term supply contracts with a number of ore suppliers. The majority of titanium-bearing ores are sourced from Australia, South Africa and Canada. Ore accounts for approximately 40% of pigment variable manufacturing costs, while utilities (electricity, gas and steam), sulfuric acid and chlorine collectively account for approximately 30% of our variable manufacturing costs.

The world market for titanium-bearing ores is dominated by Rio Tinto and Iluka, which account for approximately 55% of global supply. Both companies produce a range of ores for use in chloride and sulfate processes. We purchase approximately 75% of our ore from these two producers. New players, such as Taicor in South Africa and VV Minerals in India, have recently entered the market,

however, creating an oversupply of most products. Consequently, the price of most titanium-bearing ores has declined in the last five years, and the ability of major producers to control prices has diminished. Given the small number of suppliers and end-users of titanium-bearing ores, we typically enter into longer-term supply agreements with beneficial terms. Approximately 80% of our ore purchases are made under agreements with terms of three to five years.

Titanium dioxide producers extract titanium from ores and process it into pigmentary titanium dioxide using either the chloride or sulfate process. Once an intermediate titanium dioxide pigment has been produced, it is "finished" into a product with specific performance characteristics for particular end-use applications. The finishing process is common to both the sulfate and chloride processes and is a major determinant of the final product's performance characteristics.

The sulfate process generally uses less-refined ores that are cheaper to purchase but produce more co-product than the chloride process. Co-products from both processes require treatment prior to disposal in order to comply with environmental regulations. In order to reduce our disposal costs and to increase our cost competitiveness, we have developed and marketed the co-products of our pigments business. We sell over 50% of the co-products generated by our business.

Competition

The global markets in which our pigments business operates are highly competitive. Competition is based primarily on price. In addition, we also compete on the basis of product quality and service. The major global producers against whom we compete are DuPont, Kerr McGee, Kronos and Millennium. We believe that our competitive product offerings, combined with our presence in numerous local markets, makes us an effective competitor in the global market, particularly with respect to those global customers demanding presence in the various regions in which they conduct business.

Polymers

General

We manufacture and market polypropylene, polyethylene, EPS, EPS packaging and APAO. We consume internally produced and third-party-sourced base petrochemicals, including ethylene and propylene, as our primary raw materials in the manufacture of these products. In our polyethylene, APAO and certain of our polypropylene product lines, we pursue a targeted marketing strategy by focusing on those customers and end use applications that require customized polymer formulations. We produce these products at our smaller and more flexible Polymers manufacturing facilities and generally sell them at premium prices. In our other product lines, including the balance of our polypropylene, EPS and EPS packaging, we maintain leading regional market positions and operate cost-competitive manufacturing facilities. We operate six primary Polymers manufacturing facilities in North America and Australia. We are expanding the geographic scope of our polyethylene business and improving the integration of our European Base Chemicals business through the construction of an integrated, low-cost, world-scale LDPE plant to be located adjacent to our existing olefins facility in Wilton, U.K. Upon completion of this facility, which we expect will occur in late 2007, we will consume approximately 50% of the output from our U.K. ethylene unit in the production of LDPE.

Our Products

We have the capacity to produce approximately 430 million pounds of LDPE and 270 million pounds of LLDPE annually at our integrated Odessa, Texas facility. Our polyethylene customer base includes Ashland, Pliant and Sealed Air.

We produce a variety of grades of LDPE using both the tubular and autoclave processes. Many of the resins are designed to meet specific requirements of particular end users. Various types of

conversion equipment, including extension coating, blown and cast film extrusion, injection and blow molding, and other proprietary methods of extrusion, use these differentiated polyethylene resins to provide high clarity, durability and sealability performance characteristics. Liner grade (general-purpose) polyethylene ordinarily competes principally on the basis of price, while more differentiated polyethylene competes principally on the basis of product quality, performance specifications and, to a lesser extent, price. We participate in both market areas, but concentrate our efforts primarily in more differentiated areas.

Our LLDPE products contain octene copolymers and are sold into applications that require high performance properties such as strength, clarity, processability, and contains few resin imperfections (low gel). These products are used in wide variety of applications such as high performance flexible packaging, high clarity shrink films, barrier films, medical, artificial turf, and irrigation tubing. With our higher-performing product line, we compete with a limited number of competitors on the basis of product performance, and to a lesser extent, price.

We have the capacity to produce approximately 1 billion pounds of polypropylene annually at three production facilities: Longview, Texas with a capacity of approximately 720 million pounds per year; Marysville, Michigan with a capacity of approximately 185 million pounds per year; and Odessa, Texas with a capacity of approximately 120 million pounds per year. Our polypropylene customer base includes Advanced Composites, Ashland, Kerr, PolyOne and Precise Technologies.

We employ a variety of technologies to produce different grades of polypropylene, allowing us to participate in a wide range of polypropylene applications. We provide product solutions to processors and OEMs that require special or unique formulations or characteristics. Our products are used extensively in medical applications, caps and closures, higher value automotive parts, consumer durables, and furniture. Our in-reactor TPO products produced at our Marysville, Michigan facility have replaced more expensive compounded plastics. Our Odessa, Texas facility produces grades of polypropylene utilized for medical applications, specialty films and sheets and electronics packaging. These applications have allowed us to realize substantial premium prices over commodity polypropylene.

We have the capacity to produce approximately 95 million pounds of Rextac® APAO annually at our facility in Odessa, Texas. We are one of only two on-purpose producers of APAO in the U.S. Rextac® APAO is a proprietary, patented, low molecular weight, amorphous material that utilizes polypropylene as its primary raw material. It is used extensively in roofing materials, hot melt adhesives, laminations and wire and cable coatings. Our products are sold primarily in the U.S., although we also participate in the rapidly growing Asian market. Our APAO customer base includes Firestone Building Products, Kimberly-Clark and Johns Manville.

We have the capacity to produce approximately 250 million pounds of EPS annually at our facilities in North America and Australia. We sell into the construction industry, where the product is used for insulation, and into the small but rapidly growing insulated concrete form business. The products also are used in electronics and produce packaging applications. Our specialty grades include R-mer rubber modified EPS, fire retardant grades and low-pentane formulations. Our EPS customer base includes Aptco, Cellofoam, Life Like Products and Premier Industries.

We believe that the cost position of our Wilton, U.K. olefins facility uniquely positions it to be the site of a world-scale polyethylene production facility. While we export approximately one-third of our ethylene production each year from Wilton, U.K. to continental Europe, incurring significant shipping and handling costs, the U.K. annually imports approximately 1.9 billion pounds of polyethylene. We believe this provides an opportunity to capitalize on the low-cost operating position and extensive petrochemical infrastructure and logistics at the Wilton site. The announced LDPE facility is planned to have the capacity to produce approximately 900 million pounds of LDPE annually and is estimated to cost approximately $330 million to construct. A grant of approximately $30 million has been awarded

by the U.K. government, leaving a cost of $300 million to be borne by us. The facility is expected be operational in late 2007.

Industry Overview

Polymers markets are global commodity markets. Demand for polymers tends to be less susceptible to economic cycles than some of our base petrochemicals, as the products are generally sold into the packaging and consumer markets. Demand for LLDPE, which represents the growth segment of the polyethylene sector, and polypropylene has grown at rates well in excess of GDP growth as these products have replaced other polymers and materials (including wood, paper, glass and aluminum) due to their superior performance characteristics. Our polymers are subject to fluctuations in price as a result of supply and demand imbalances and feedstock price movements.

Competition is based on price, product performance, product quality, product deliverability and customer service. Polymers profitability is affected by the worldwide level of demand for polymers, along with vigorous price competition that may result from, among other things, new domestic and foreign industry capacity. In general, demand is a function of economic growth in the U.S., Europe and elsewhere around the world.

Polypropylene is one of the most versatile and among the fastest growing of the major polymers. Polypropylene is used in a wide variety of applications including toys, housewares, bottle caps, outdoor furniture, utensils and packaging film. Although polypropylene comes in many formulations, there are three basic grades: homopolymers (derived from the polymerization of propylene), random copolymers (derived from the polymerization of propylene and a small amount of ethylene), and impact copolymers (derived by first polymerizing propylene and then adding a small amount of polymerized ethylene). Polypropylene is rising in popularity relative to other higher cost polymers due to its overall product performance and its relatively low cost of production. Different polypropylene formulations are custom manufactured with a variety of characteristics to accommodate end users. These characteristics include high stiffness, dimensional stability, low moisture absorption, good electrical insulation and optical properties and resistance to acids, alkalis and solvents. New applications have accounted for significant growth in the past decade in areas such as polypropylene film and automotive parts for the replacement of heavier, more expensive materials.

Polyethylene represents by sales volume the most widely produced thermoplastic resin in the world. There are two basic grades of polyethylene resin, high density and low density. Within low density, there is a further differentiation between LDPE and LLDPE. LDPE is used in a wide variety of applications, including film packaging, molded furniture, toys, wire and cable insulation. While LLDPE is used in many of the same applications as LDPE, it is also used in caps and closures, stretch and shrink binding films and heavy duty shipping sacks due to its high strength characteristics. According to CMAI, during 2003, 27.1 billion pounds of polyethylene were produced in the U.S. The different grades, annual sales volumes and percentages of resins produced include LDPE, 7.1 billion pounds or 26%; LLDPE, 7.6 billion pounds or 28%; and HDPE, 12.4 billion pounds or 46%. LLDPE and LDPE are used in a wide variety of industrial and consumer applications, the largest of which is the film market. Flexible films are used in food and consumer packaging, medical applications and wrap film. Liner grade (general purpose) polyethylene ordinarily competes principally on the basis of price, while more differentiated polyethylene competes principally on the basis of product quality, performance specifications and, to a lesser extent, price.

EPS serves two primary end markets: the "block" EPS market and the "shape" EPS market. Block EPS is used largely by the construction industry and shape EPS is used largely in packaging applications. Historically, EPS has not been traded as an international commodity. As a result, we believe EPS prices have generally been significantly less volatile than those of other petrochemicals. Producers typically maintain strong links to the approximate 400 domestic molders, leading to product

differentiation and customization for clients. Molders are typically small, privately held companies that rely on strong supplier relationships.

Product	2003 U.S. Market Size (billions of pounds)	Compound Annual Growth Rate (1992-2003)	Markets	Applications
LLDPE	8.3	4.9%	film; injection molding; extrusion coating	film packaging (food and medical), caps and closures, heavy duty shipping sacks
LDPE	5.8	(0.8)%	film; injection molding; extrusion coating	film packaging (food and medical), molded furniture, toys, wire and cable insulation
Polypropylene	13.9	6.3%	injection molding; fibers and filaments; film	toys, house-wares, bottle caps, outdoor furniture, utensils, packaging film, and clothing
EPS	1.0	2.8%	block; shape	construction, packaging

Source: CMAI

Sales and Marketing

Our polymers business markets over 85% of its products through a direct, salaried sales force. Our sales force is organized by product line and by geographic region. We also utilize distributors to market certain of our products to smaller customers. Due to the diversity of products, technologies, and grades, we are able to compete across a broad range of markets without relying upon a few large customers. Approximately 6% of our polymers sales are channeled through two large distributors, which market to many small customers. No one customer constitutes more than 3% of sales.

Manufacturing and Operations

We have the capacity to produce approximately 2.3 billion pounds of polymers at our six plants located in North America and Australia.

Information regarding these facilities is set forth in the following chart:

	Odessa, Texas	Longview, Texas	Marysville, Michigan	Peru, Illinois	Mansonville Quebec,	West Footscray, Australia	Total
	(millions of pounds)						
Ethylene	800						800
Propylene	300						300
LDPE	430						430
LLDPE	270						270
Polypropylene	120	720	185				1,025
APAO	95						95
EPS				185	40	25	250
Styrene						250	250

Our Odessa, Texas olefins plant produces both ethylene and propylene. Ethylene is transferred to LDPE and LLDPE for polymerization, and is also utilized in polypropylene and APAO copolymer production. Ethylene capacity is greater than current polymer capacity. To maximize ethylene production, we produce cryogenic ethylene and sell it via tank car to customers without pipeline access. There are only two significant sellers of liquid ethylene, Sunoco and ourselves. This product is sold at a significant premium to market pricing for pipeline delivered ethylene.

Our Longview, Texas facility is among the newest, most technologically advanced and lowest cost facilities in North America. Incorporating the UNIPOL® gas phase production technology, this facility has the capability to produce a broad range of polypropylene grades. This facility is connected by pipeline to the Mont Belvieu, Texas propylene supply grid and has recently added railcar unloading infrastructure, giving it maximum raw material supply flexibility.

Our Marysville, Michigan facility's technology is ideally suited to produce special grades of co-polymer polypropylene. This technology allows the plant to produce higher value TPOs, which are used extensively in high-value specialty-automotive applications.

Our Peru, Illinois EPS facility is one of the world's largest EPS production facilities, with five reactors. The use of our proprietary one-step EPS production technology keeps production costs at the Peru facility among the lowest in the industry. Our Mansonville, Quebec EPS plant is a smaller plant with three reactors. The EPS is used primarily to produce packaging, which has historically been a premium market.

Our West Footscray, Australia facility, located near Melbourne, is Australia's only producer of styrene and EPS. We also produce phenolic and polyester resins and, in a 50% joint venture with Dow, polystyrene. We also own Australia's largest EPS/EPP molding business, with seven operations around the country.

Raw Materials

Our Odessa, Texas facility has access to numerous sources of NGL feedstocks. We operate a feedstock fractionator which separates ethane from other feedstock streams for use in our olefins unit.

Propylene is the most significant raw material used in the production of polypropylene. At our Longview, Texas and Marysville, Michigan sites we purchase polymer-grade and chemical-grade propylene from third parties.

The primary raw material in the production of EPS is styrene. We purchase styrene for our Peru, Illinois and Mansonville, Quebec facilities at market price from unaffiliated third parties.

Competition

In 2003, there were approximately 9 domestic producers of low density polyethylene resins, either as LDPE or as LLDPE. According to CMAI in 2003 these producers had an estimated combined annual rated production capacity of approximately 18 billion pounds. According to CMAI, the five largest domestic producers of both LDPE and LLDPE in 2004 were ExxonMobil, Dow, Equistar, Westlake and ChevronPhillips.

According to CMAI, there are currently 13 U.S. producers of polypropylene, operating 23 plants with approximately 19.0 billion pounds of annual capacity. The largest producer and marketer is Basell, followed by BP, Sunoco, ExxonMobil and Total Petrochemical. We are the eighth-largest U.S. producer of polypropylene.

According to CMAI, there are ten producers of EPS in North America, with total annual production capacity of approximately 1.5 billion pounds. We are the second-largest producer of EPS in North America. The other major EPS producers are BASF, NOVA Chemicals, Polioles SA and Styrochem.

Base Chemicals

General

We are a highly integrated North American and European producer of olefins and aromatics. We consume a substantial portion of our Base Chemicals products, such as ethylene, propylene and benzene, in our Performance Products and Polyurethanes segments. We believe this integration leads to higher operating rates for our Base Chemical assets, improved reliability of raw material supply for our other segments and reduced logistics and transportation costs. We operate four Base Chemicals manufacturing facilities located on the Texas Gulf Coast and in northeast England. These facilities are equipped to process a variety of oil- and natural gas-based feedstocks and benefit from their close proximity to multiple sources of these raw materials. This flexibility allows us to optimize our operating costs. These facilities also benefit from extensive underground storage capacity and logistics infrastructure, including pipelines, deepwater jetties and ethylene liquefaction facilities.

Olefins

In the U.S., we produce ethylene and propylene at our Port Arthur and Port Neches, Texas olefins manufacturing facilities. The Port Arthur steam cracker has the capacity to produce approximately 1.4 billion pounds of ethylene and approximately 800 million pounds of propylene per year and has the capability to process both light and heavy feedstock, giving us the opportunity to maximize profitability with an optimal selection of raw materials. The Port Neches facility has the capacity to produce approximately 400 million pounds of ethylene and approximately 400 million pounds of propylene per year and has the capability to process ethane and propane and to recover ethylene and propylene from refinery off-gas. Ethylene production at our Port Neches facility was idled in June 2001 and was recently restarted, with full production beginning in the fourth quarter of 2004. Substantial portions of our ethylene and propylene are used downstream in our Performance Products and Polyurethanes segments.

Our olefins facility at Wilton, U.K. is one of Europe's largest single-site and lowest cost olefins facilities, according to Nexant. Our Wilton facility has the capacity to produce approximately 1.9 billion pounds of ethylene, 880 million pounds of propylene and 225 million pounds of butadiene per year. The Wilton olefins facility benefits from its North Sea location and significant feedstock flexibility, which allows for processing of naphthas, condensates and NGLs. In addition, the facility benefits from extensive underground storage capacity and logistics infrastructure, including pipelines, deepwater jetties and ethylene liquefaction facilities.

We are the fourth-largest U.S. producer of butadiene with annual capacity of approximately 900 million pounds. We sell all the butadiene we produce to several large consumers, including Bayer, Bridgestone/Firestone, Invista and Goodyear, who process it further into products such as synthetic rubber for tires, fiber for nylon carpet and foam for carpet backing. Feedstock for our large U.S. butadiene plant includes all of the crude butadiene produced as a byproduct in our olefins unit and crude butadiene purchased on long-term contracts from other olefin producers. Our U.S. butadiene production facility is located in close proximity to a number of our customers' plant locations, allowing us to connect to these customers by pipelines. Our smaller U.K. facility processes only our byproduct butadiene and ships almost entirely to customers located in the U.K.

Aromatics

We are the second-largest U.S. producer of cyclohexane and have the capacity to produce approximately 630 million pounds of cyclohexane annually at our Port Arthur, Texas facility. Virtually all cyclohexane is converted to other intermediate chemicals used to produce Nylon 6 and Nylon 6,6 synthetic fibers and resins. The nylon fibers are used to manufacture products such as hosiery, upholstery, carpet and tire cord, and the resins are used in engineered plastic applications. The Port

Arthur facility extracts benzene from byproduct streams produced by our olefins facility. We also purchase byproduct streams from neighboring facilities.

We produce aromatics in Europe at our two integrated manufacturing facilities located in Wilton, U.K. and North Tees, U.K. According to Nexant, we are a leading European producer of cyclohexane with 725 million pounds of annual capacity, a leading producer of paraxylene with 800 million pounds of annual capacity and are among Europe's larger producers of benzene with 1,200 million pounds of annual capacity. We use most of the benzene produced by our aromatics operations internally in the production of nitrobenzene for our Polyurethanes business and for the production of cyclohexane. The balance of our European aromatics production is sold to several key customers.

We also have the capacity to produce approximately 160 million gallons of MTBE annually at our Port Neches, Texas facility. In 2003, we produced approximately 100 million gallons of MTBE from the conversion of byproduct isobutylenes that we extracted from our unit and neighboring refineries. MTBE is blended into gasoline as an octane enhancer and as an oxygenate, which reduces carbon monoxide and other harmful motor vehicle emissions. See " Environmental, Health and Safety Matters MTBE Developments."

Industry Overview

Petrochemical markets are global commodity markets. However, the olefins market is subject to some regional price differences due to the more limited inter-regional trade resulting from the high costs of product transportation. The global petrochemicals market is cyclical and is subject to pricing swings due to supply and demand imbalances, feedstock prices (primarily driven by crude oil and natural gas prices) and general economic conditions.

The following table sets forth the global market size, growth rate, uses and end markets for the major olefins and aromatics we produce:

Product	2003 Global Market Size	Compound Annual Growth Rate (1992-2003)	Uses	End Markets
	(billions of pounds)			
Ethylene	212	4.4%	polyethylene, ethylene oxide, polyvinyl chloride, alpha olefins, styrene	packaging materials, plastics, housewares, beverage containers, personal care
Propylene	129	6.2%	polypropylene, propylene oxide, acrylonitrile, isopropanol	clothing fibers, plastics, automotive parts, foams for bedding and furniture
Butadiene	20	3.3%	SBR rubber, polybutadiene, SB latex	automotive, carpet
Benzene	78	4.6%	polyurethanes, polystyrene cyclohexane, cumene, styrene/SBR	appliances, automotive components, detergents, personal care, packaging materials, carpet
Paraxylene	44	9.1%	polyester, PTA	fibers, textiles, beverage containers
Cyclohexane	8.8	2.5%	nylon 6, nylon 6,6	fibers, resins

Source: Nexant

The olefins markets in both North America and Western Europe are supplied by numerous producers, none of whom has a dominant position in terms of its share of production capacity. Major producers include BP, Dow, Equistar, ExxonMobil, Sabic and Shell. According to Nexant, global ethylene consumption in 2003 was 212 billion pounds, representing an average industry operating rate of 86%, and global propylene consumption in 2003 was 129 billion pounds, representing an average industry operating rate of 85%.

The aromatics market, which is primarily composed of cyclohexane, benzene and paraxylene, is characterized by several major producers, including BP, ChevronPhillips, Dow, ExxonMobil and Shell. According to Nexant, the global markets for most aromatics products have recently recovered from the cyclical lows experienced over the last several years as demand has increased due to recent growth in demand for certain derivative products, including polyester fibers and PET packaging resins. Also, new capacity additions have been limited, which has resulted in higher industry operating rates. According to Nexant, the current global industry operating rate for benzene is approximately 81%, while the current global industry operating rates for cyclohexane and paraxylene are 80% and 87%, respectively.

Sales and Marketing

In recent years, our sales and marketing efforts have focused on developing long-term contracts with customers to operate our facilities at maximum rates, while maintaining very low selling expenses and administration costs. In 2003, over 61% and 79% of our primary petrochemicals sales volume in North America and Europe, respectively, was made under contracts of a year or more. In addition, we delivered over 84% and 65% of our petrochemical products volume in North America and Europe, respectively, in 2003 by pipeline. Major aromatics customers include BASF, Bayer, DupontSA, Invista, Rhodia and Solutia. Major olefins customers include BP, Dow, DuPont, EVC, Nova, Shell and Solvay.

In North America, we benefit from our pipeline system that extends over 600 miles, which we use to transport feedstocks and intermediate and finished products. In the U.K., we own or have access to major pipeline systems connecting our plants to our customers. Our finished product pipelines allow us to ship ethylene, propylene and butadiene directly to our customers at very low cost. Addition of new pipeline connections represents a significant barrier to potential competitors. We believe that the wide coverage of our pipeline system, coupled with the proximity of both customers and suppliers, gives us a competitive advantage both in receiving raw materials and in delivering ethylene and propylene to our key customers.

Manufacturing and Operations

The annual production capacities of our olefins and aromatics facilities is set forth below:

	Port Arthur, Texas	Port Neches, Texas	Odessa, Texas[1]	Wilton, U.K.	North Tees, U.K.	Total
	(millions of pounds)					
Ethylene	1,400	400[2]	800	1,900		4,500
Propylene	800	400[2]	300	880		2,380
Butadiene		900		225		1,125
Paraxylene				800		800
Benzene	480				1,200	1,680
Cyclohexane	630				725	1,355
MTBE[3]		160				160

(1) Our Odessa, Texas olefins unit primarily provides raw materials for our Polymers segment. As such, the operations of this unit are accounted for in the Polymers segment. See " Polymers Manufacturing and Operations" and " Polymers Raw Materials."

(2) Our Port Neches, Texas olefins plant was idled in June 2001 and was recently restarted with full production beginning in the fourth quarter of 2004.

(3) Millions of gallons.

Raw Materials

The primary raw materials that we use as feedstocks in our Base Chemicals business are hydrocarbons produced as byproducts of the refining crude oil and natural gas, such as ethane, propane and butane. These materials are actively traded on the spot and futures markets and are readily available from multiple sources. We benefit from our locations in Texas, where we neighbor Mont Belvieu, which is a hub for the distribution of these feedstocks, and in the U.K., where we are able to take advantage of our pipeline system and our proximity to refineries located near the North Sea.

In the U.S., pipelines allow us to transport liquid hydrocarbon feedstocks from Mont Belvieu, Texas to our Port Arthur and Port Neches facilities. We are tied into the extensive industry pipeline grid for receipt of natural gases and NGLs, and have dock and tank facilities for receipt of feedstocks by tanker and barge.

Our North Tees facility, situated on the northeast coast of England, is near a substantial supply of oil, natural gas and chemical feedstocks. Due to our location at North Tees, we have the option to purchase feedstocks from a variety of sources. However, we have elected to procure the majority of our naphtha, condensates and NGLs from local producers as they have been the most economical sources. In order to secure the optimal mix of the required quality and type of feedstock for our petrochemical operations at fully competitive prices, we regularly engage in the purchase and sale of feedstocks.

Competition

The markets in which our base chemicals business operates are highly competitive. Our competitors in the olefins and aromatics business include BP, Dow, Equistar, ExxonMobil, Sabic and Shell. While the market for most of these products is global, prices tend to be set regionally. These industries are characterized by companies that have large market shares in specific regions. The primary factors for competition in this business are price, reliability of supply and customer service. The technology used in these businesses is mature and widely available.

Research and Development

On a historical basis, for the nine months ended September 30, 2004 and the fiscal years 2003, 2002 and 2001, we spent $62.2 million, $65.6 million, $23.8 million, $32.7 million, respectively, on research and development of our products.

We support our business with a major commitment to research and development, technical services and process engineering improvement. Our research and development centers are currently located in Austin, Texas and Everberg, Belgium. Other regional development/technical service centers are located in Odessa, Texas (polymers); Billingham, England (pigments); Auburn Hills, Michigan (polymers and polyurethanes for the automotive industry); West Deptford, New Jersey, Derry, New Hampshire, Shanghai, China, Deggendorf, Germany and Ternate, Italy (polyurethanes); Ascot Vale, Australia (surfactants) and Port Neches, Texas and Wilton, U.K. for process engineering support. We have announced that we intend to close our Austin facility in mid-2005 and our West Deptford facility in late 2005. We intend to relocate the research and development capabilities of these two facilities to a new research and development center in The Woodlands, Texas that we expect to open in 2005.

We have leading technology positions, which contribute to our status as a low cost producer. Coordinated research, engineering and manufacturing activities across production and research and development locations facilitate these low cost positions.

Intellectual Property Rights

Proprietary protection of our processes, apparatuses, and other technology and inventions is important to our businesses. We own approximately 733 unexpired U.S. patents, approximately 181

patent applications (including provisionals) currently pending at the U.S. Patent and Trademark Office, and approximately 3,999 foreign counterparts, including both issued patents and pending patent applications. While a presumption of validity exists with respect to issued U.S. patents, we cannot assure that any of our patents will not be challenged, invalidated, circumvented or rendered unenforceable. Furthermore, we cannot assure the issuance of any pending patent application, or that if patents do issue, that these patents will provide meaningful protection against competitors or against competitive technologies. Additionally, our competitors or other third parties may obtain patents that restrict or preclude our ability to lawfully produce or sell our products in a competitive manner.

We also rely upon unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain our competitive position. There can be no assurance, however, that confidentiality agreements into which we enter and have entered will not be breached, that they will provide meaningful protection for our trade secrets or proprietary know-how, or that adequate remedies will be available in the event of an unauthorized use or disclosure of such trade secrets and know-how. In addition, there can be no assurance that others will not obtain knowledge of these trade secrets through independent development or other access by legal means.

In addition to our own patents and patent applications and proprietary trade secrets and know-how, we are a party to certain licensing arrangements and other agreements authorizing us to use trade secrets, know-how and related technology and/or operate within the scope of certain patents owned by other entities. We also have licensed or sub-licensed intellectual property rights to third parties.

We have associated brand names with a number of our products, and own approximately 110 U.S. trademark registrations, approximately 30 applications for registration currently pending at the U.S. Patent and Trademark Office, and approximately 4,331 foreign counterparts, including both registrations and applications for registration. However, there can be no assurance that the trademark registrations will provide meaningful protection against the use of similar trademarks by competitors, or that the value of our trademarks will not be diluted.

Employees

As of September 30, 2004, we employed approximately 11,600 people in our operations around the world. Approximately 3,200 of these employees are located in the U.S., while approximately 8,400 are located in foreign countries. We are a party to collective bargaining agreements which cover an aggregate of approximately 5,400 employees, approximately 900 of whom are located in the U.S. and approximately 4,500 of whom are located in foreign countries. We believe our relations with our employees are good.

Properties

We own or lease chemical manufacturing and research facilities in the locations indicated in the list below which we currently believe are adequate for our short-term and anticipated long-term needs. We own or lease office space and storage facilities throughout the U.S. and many foreign countries. Our principal executive offices are located at 500 Huntsman Way, Salt Lake City, Utah 84108. The following is a list of our material owned or leased properties where manufacturing, research and main office facilities are located.

Principal Facilities

The following table sets forth information regarding our principal facilities.

Location	Business Segment	Description of Facility
Salt Lake City, Utah		Executive Offices
The Woodlands, Texas[1]		Operating Headquarters
Geismar, Louisiana[2]	Polyurethanes	MDI, TDI, Nitrobenzene(7), Aniline(7) and Polyols Manufacturing Facilities and Polyurethanes Systems House
Rozenburg, Netherlands[1]	Polyurethanes	MDI Manufacturing Facility, Polyols Manufacturing Facilities and Polyurethanes Systems House
West Deptford, New Jersey[3]	Polyurethanes	Polyurethane Systems House and Research Facility
Auburn Hills, Michigan[1]	Polyurethanes	Polyurethane Research Facility
Deerpark, Australia	Polyurethanes	Polyurethane Systems House
Cartagena, Colombia	Polyurethanes	Polyurethane Systems House
Deggendorf, Germany	Polyurethanes	Polyurethane Systems House
Ternate, Italy	Polyurethanes	Polyurethane Systems House
Shanghai, China[1]	Polyurethanes	Polyurethane Systems House
Thane (Maharashtra), India[1]	Polyurethanes	Polyurethane Systems House
Samuprakam, Thailand[1]	Polyurethanes	Polyurethane Systems House
Kuan Yin, Taiwan[1]	Polyurethanes	Polyurethane Systems House
Tlalnepantla, Mexico	Polyurethanes	Polyurethane Systems House
Mississauga, Ontario[1]	Polyurethanes	Polyurethane Systems House
Everberg, Belgium	Polyurethanes	Polyurethane Research Facility
Gateway West, Singapore[1]	Polyurethanes	Polyurethane Commercial Center
Derry, New Hampshire[1]	Polyurethanes	TPU Research Facility
Ringwood, Illinois[1]	Polyurethanes	TPU Manufacturing Facility
Osnabrück, Germany	Polyurethanes	TPU Manufacturing Facility
Port Neches, Texas[4]	Polyurethanes, Performance Products and Base Chemicals	Olefins, Aromatics, EO, EG, Amines and PO Manufacturing Facilities
Wilton, U.K.	Polyurethanes and Base Chemicals	Olefins and Aromatics Manufacturing Facilities and Aniline and Nitrobenzene Manufacturing Facilities
Bergkamen, Germany[5]	Advanced Materials	Synthesis Facility
Monthey, Switzerland	Advanced Materials	Resins and Synthesis Facility
Pamplona, Spain	Advanced Materials	Resins and Synthesis Facility
McIntosh, Alabama	Advanced Materials	Resins and Synthesis Facility
Chennai, India[6]	Advanced Materials	Resins and Synthesis Facility
Bad Saeckingen, Germany[1]	Advanced Materials	Formulating Facility
Duxford, U.K.	Advanced Materials	Formulating Facility
Sadat City, Egypt	Advanced Materials	Formulating Facility
Taboão da Serra, Brazil	Advanced Materials	Formulating Facility
Kaohsiung, Taiwan	Advanced Materials	Formulating Facility
Panyu, China[1][7]	Advanced Materials	Formulating Facility
Thomastown, Australia[8]	Advanced Materials	Formulating Facility
East Lansing, Michigan	Advanced Materials	Formulating Facility
Istanbul, Turkey[1]	Advanced Materials	Formulating Facility
Los Angeles, California	Advanced Materials	Formulating Facility
Austin, Texas[9]	Performance Products	Research Facility
Conroe, Texas	Performance Products	Amines Manufacturing Facility
Dayton, Texas	Performance Products	Surfactant Manufacturing Facility
Chocolate Bayou, Texas[1][10]	Performance Products	LAB Manufacturing Facility
Pensacola, Florida[1][10]	Performance Products	Maleic anhydride Manufacturing Facility
Petfurdo, Hungary	Performance Products	Amines Manufacturing Facility
Botany, Australia	Performance Products	Surfactant Manufacturing Facility
Llanelli, U.K.	Performance Products	Amines Manufacturing Facility

Location	Business Segment	Description of Facility
Guelph, Ontario[11]	Performance Products	Surfactant Manufacturing Facility
St. Mihiel, France	Performance Products	Surfactant Manufacturing Facility
Lavera, France	Performance Products	Surfactant Manufacturing Facility
Castiglione, Italy	Performance Products	Surfactant Manufacturing Facility

Patrica/Frosinane, Italy	Performance Products	Surfactant Manufacturing Facility
Barcelona, Spain	Performance Products	Surfactant Manufacturing Facility
Whitehaven, U.K.[12]	Performance Products	Surfactant Manufacturing Facility
Freeport, Texas[1]	Performance Products	Amines Manufacturing Facility
Greatham, U.K.	Pigments	Titanium Dioxide Manufacturing Facility
Grimsby, U.K.	Pigments	Titanium Dioxide Manufacturing Facility
Calais, France	Pigments	Titanium Dioxide Manufacturing Facility
Huelva, Spain	Pigments	Titanium Dioxide Manufacturing Facility
Scarlino, Italy	Pigments	Titanium Dioxide Manufacturing Facility
Teluk Kalung, Malaysia	Pigments	Titanium Dioxide Manufacturing Facility
Lake Charles, Louisiana[13]	Pigments	Titanium Dioxide Manufacturing Facility
Umbogintwini, South Africa	Pigments	Titanium Dioxide Manufacturing Facility
Billingham, U.K.	Pigments	Titanium Dioxide Research and Technical Facility
Warrenville, Illinois[1]	Pigments	Titanium Dioxide North American Technical and Commercial Center
Peru, Illinois	Polymers	EPS Manufacturing Facility
Marysville, Michigan	Polymers	Polypropylene Manufacturing Facility
Longview, Texas[1]	Polymers	Polypropylene Manufacturing Facility
Odessa, Texas	Polymers	Polyethylene Manufacturing Facility
Mansonville, Quebec	Polymers	EPS Manufacturing Facility
West Footscray, Australia	Polymers	Polymers Manufacturing Facility
Port Arthur, Texas	Base Chemicals	Olefins and Aromatics Manufacturing Facility
Sour Lake, Texas	Base Chemicals	Various finished raw materials pipelines and storage facilities
North Tees, U.K.[1]	Base Chemicals	Aromatics Manufacturing Facility and Logistics & Storage Assets

(1) Leased land and/or building.

(2) The Geismar facility is owned as follows: we own 100% of the MDI, TDI and polyol facilities, and Rubicon LLC, a manufacturing joint venture with Crompton Corporation in which we own a 50% interest, owns the aniline and nitrobenzene facilities. Rubicon LLC is a separate legal entity that operates both the assets that we own jointly with Crompton Corporation and our wholly-owned assets at Geismar.

(3) We intend to close this facility in late 2005.

(4) The Port Neches ethylene plant was idled in 2001 and was recently re-started, with full production beginning in the fourth quarter of 2004.

(5) We shut down our base resin production line at this facility in the first quarter of 2004.

(6) 76%-owned manufacturing joint venture with Tamilnadu Petroproducts Limited.

(7) 95%-owned manufacturing joint venture with Guangdong Panyu Shilou Town Economic Development Co. Ltd.

(8) We intend to close this facility in 2005.

(9) We intend to close this facility in mid-2005. We will relocate the operations to a new facility in The Woodlands, Texas. Please see " Research and Development."

(10) These plants are operated by Solutia under long-term operating agreements. Solutia and certain of its affiliates have filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. We expect that Solutia will continue to operate these plants, although no assurance can be given at this time. During the course of the bankruptcy proceeding, it is possible that Solutia may reject any of the agreements under which it operates the plants. It is also possible that Solutia's reorganization under Chapter 11 may fail and

that it would proceed to a liquidation under Chapter 7. If Solutia were to discontinue operation of any of these plants, it may be difficult to arrange for uninterrupted operation.

(11) We intend to close this facility in the second half of 2005.

(12) We intend to substantially reduce our operations at this site.

(13) 50%-owned manufacturing joint venture with Kronos Louisiana, Inc., a subsidiary of Kronos Worldwide, Inc.

Environmental, Health and Safety Matters

General

We are subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to pollution, protection of the environment and the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. In the ordinary course of business, we are subject to frequent environmental inspections and monitoring and occasional investigations by governmental enforcement authorities. In addition, our production facilities require operating permits that are subject to renewal, modification and, in certain circumstances, revocation. Actual or alleged violations of environmental laws or permit requirements could result in restrictions or prohibitions on plant operations, substantial civil or criminal sanctions, as well as, under some environmental laws, the assessment of strict liability and/or joint and several liability. Moreover, changes in environmental regulations could inhibit or interrupt our operations, or require us to modify our facilities or operations. Accordingly, environmental or regulatory matters may cause us to incur significant unanticipated losses, costs or liabilities.

Environmental, Health and Safety Systems

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

EHS Capital Expenditures

We may incur future costs for capital improvements and general compliance under EHS laws, including costs to acquire, maintain and repair pollution control equipment. For the nine months ended September 30, 2004, the year ended December 31, 2003 and the year ended December 31, 2002, our capital expenditures for EHS matters totaled $36.9 million, $47.8 million and $30.3 million, respectively. Since capital expenditures for these matters are subject to evolving regulatory requirements and depend, in part, on the timing, promulgation and enforcement of specific requirements, we cannot provide assurance that our recent expenditures will be indicative of future amounts required under EHS laws.

Governmental Enforcement Proceedings

On occasion, we receive notices of violation, enforcement and other complaints from regulatory agencies alleging non-compliance with applicable EHS law. By way of example, we are aware of the individual matters set out below, which we believe to be the most significant presently pending matters and unasserted claims. Although we may incur costs or penalties in connection with the governmental proceedings discussed below, based on currently available information and our past experience, we believe that the ultimate resolution of these matters will not have a material impact on our results of operations, financial position or liquidity.

In May 2003, the State of Texas settled an air enforcement case with us relating to our Port Arthur plant. Under the settlement, we are required to pay a civil penalty of $7.5 million over more than four years, undertake environmental monitoring projects totaling about $1.5 million in costs, and pay $375,000 in attorney's fees to the Texas Attorney General. As of September 30, 2004, we have paid $1.8 million toward the penalty and $375,000 for the attorney's fees. The monitoring projects are

underway and on schedule. We do not anticipate that this settlement will have a material adverse effect on our results of operations, financial position or liquidity.

In the third quarter of 2004, our Jefferson County, Texas facilities received notification from the Texas Commission on Environmental Quality ("TCEQ") of potential air emission violations relating to the operation of cooling towers at two of our plants, alleged nuisance odors, and alleged upset air emissions. We have investigated the allegations and responded in writing to TCEQ. TCEQ has proposed a penalty of $9,300 for the alleged nuisance odor violations, $174,219 for the alleged upset violations and $83,250 for the alleged cooling tower violations. Negotiations are anticipated between us and TCEQ with respect to the resolution of these alleged violations. We do not believe that the final cost to resolve these matters will be material.

Our subsidiary Huntsman Advanced Materials (U.K.) Ltd is scheduled to appear in Magistrates Court in the U.K. in January 2005 to answer five charges following an investigation by the U.K. Health and Safety Executive. The charges arise from alleged failures to follow applicable regulations for the management of asbestos contamination caused by construction activity at the Duxford, U.K. Advanced Materials facility between November 2002 and January 2003. We believe that some or all of the alleged violations arise from conduct by a third party contractor occurring before we assumed responsibility for the Duxford facility. Based on penalties imposed in the United Kingdom for similar alleged violations by other companies, we do not believe this matter will result in the imposition of costs material to our results of operations, financial position or liquidity.

By letter dated November 29, 2004, the TCEQ notified us that it intends to pursue an enforcement action as a result of approximately 25 separate upset emission events occurring at our Port Arthur facility between August 2003 and September 2004. TCEQ alleges that each upset event is a separate violation of its air emission rules. TCEQ has not yet proposed a penalty associated with these alleged violations. We anticipate entering into negotiations with TCEQ with respect to the resolution of these alleged violations. We do not believe that the resolution of these matters will result in the imposition of costs material to our results of operations, financial position or liquidity. See " Legal Proceedings" for a discussion of environmental lawsuits brought by private party plaintiffs.

Remediation Liabilities

We have incurred, and we may in the future incur, liability to investigate and clean up waste or contamination at our current or former facilities or facilities operated by third parties at which we may have disposed of waste or other materials. Similarly, we may incur costs for the cleanup of wastes that were disposed of prior to the purchase of our businesses. Under some circumstances, the scope of our liability may extend to damages to natural resources. Specifically, under the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), and similar state laws, a current or former owner or operator of real property may be liable for remediation costs regardless of whether the release or disposal of hazardous substances was in compliance with law at the time it occurred, and a current owner or operator may be liable regardless of whether it owned or operated the facility at the time of the release. In addition, under the U.S. Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), and similar state laws, we may be required to remediate contamination originating from our properties as a condition to our hazardous waste permit. For example, our Odessa, Port Arthur, and Port Neches facilities in Texas are the subject of ongoing remediation requirements under RCRA authority. In many cases, our potential liability arising from historical contamination is based on operations and other events occurring prior to our ownership of the relevant facility. In these situations, we frequently obtained an indemnity agreement from the prior owner addressing remediation liabilities arising from pre-closing conditions. We have successfully exercised our rights under these contractual covenants for a number of sites, and where applicable, mitigated our ultimate remediation liability. We cannot assure you, however, that all of such matters

will be subject to indemnity or that our existing indemnities will be sufficient to cover our liabilities for such matters.

Some of our manufacturing sites have an extended history of industrial chemical manufacturing and use, including on-site waste disposal. We are aware of soil, groundwater and surface water contamination from past operations at some of our sites, and we may find contamination at other sites in the future. For example, we are aware that there is significant contamination, largely related to a landfill and lagoons, at our McIntosh, Alabama plant site. Further, soil and groundwater contamination have been identified at our plants in Duxford, U.K. and Monthey, Switzerland. Pursuant to certain agreements with respect to these Advanced Materials sites, we expect that Ciba Specialty Chemicals Holdings Inc. ("Ciba") will have primary financial responsibility for such matters, although we may be required to contribute to the costs of remediation in certain instances, and we believe that Ciba has the intention and ability to honor these agreements. Based on available information and the indemnification rights we believe are likely to be available, we believe that the costs to investigate and remediate known contamination will not have a material adverse effect on our financial condition, results of operations or cash flows, and therefore we have made no accrual for such liabilities as of September 30, 2004. However, if such indemnities are unavailable or do not fully cover the costs of investigation and remediation or we are required to contribute to such costs, and if such costs are material, then such expenditures may have a material adverse effect on our financial condition, results of operations or cash flows. At the current time, we are unable to estimate the full cost, exclusive of indemnification benefits, to remediate known contamination sites.

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

One of these sites, the North Maybe Canyon CERCLA site, includes an abandoned phosphorous mine located in a U.S. National Forest in Idaho. The North Maybe Canyon mine may have been operated by one of our predecessors for approximately two out of the eight years (1964 to 1972) during which it held mining leases in the area. In 2004, we received from the Forest Service a notice of potential liability for the mine under CERCLA. According to information from the U.S. government, North Maybe Canyon was actively mined for a total of about 20 years. The current owner, NuWest Industries, Inc., a subsidiary of Agrium, Inc., operated the mine for at least six of those years. Under an administrative order with the Forest Service and other governmental agencies, NuWest is currently undertaking an investigation of the site, with a specific focus on the release of selenium-contaminated surface water into streams in the area. To date, no emergency removal action or other high priority cleanup has been proposed. One of the previous operators of the site, Washington Group International, Inc., has been the subject of bankruptcy proceedings in which the U.S. Department of Justice asserted a claim for investigation and remediation costs at North Maybe Canyon and South Maybe Canyon (which we did not own or operate), a similar nearby mine that also is currently under investigation. The government claimed $15.7 million in investigation and remediation costs for South Maybe Canyon and $3 million in investigation costs for North Maybe Canyon. The government stated that cleanup costs at North Maybe Canyon had not yet been estimated. We do not currently have sufficient information to estimate actual remediation costs or our actual liability, if any, for investigation and cleanup of the North Maybe Canyon site.

Environmental Reserves

We have established financial reserves relating to anticipated environmental cleanup obligations, site reclamation and closure costs and known penalties. Liabilities are recorded when potential liabilities are either known or considered probable and can be reasonably estimated. Our liability estimates are based upon available facts, existing technology and past experience. On a consolidated

basis, we have accrued approximately $34.6 million, $34.9 million and $18.3 million for environmental liabilities as of September 30, 2004, December 31, 2003 and December 31, 2002, respectively. Of these amounts, approximately $7.1 million, $8.6 million and $4.8 million are classified as accrued liabilities on our consolidated balance sheets as of September 30, 2004, December 31, 2003 and December 31, 2002, respectively, and approximately $27.5 million, $26.3 million and $13.5 million are classified as other noncurrent liabilities on our consolidated balance sheets as of September 30, 2004, December 31, 2003 and December 31, 2002, respectively. These accruals include approximately $12.5 million, $6.5 million and $6.9 million, respectively, for environmental remediation liabilities. In certain cases, our remediation liabilities are payable over periods of up to 30 years. We may incur losses for environmental remediation in excess of the amounts accrued; however, we are not able to estimate the amount or range of such losses.

Regulatory Developments

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

In October 2003, the European Commission adopted a proposal for a new EU regulatory framework for chemicals. Under this proposed new system called "REACH" (Registration, Evaluation and Authorization of Chemicals), companies that manufacture or import more than one ton of a chemical substance per year would be required to register such manufacture or import in a central database. The REACH initiative, as proposed, would require risk assessment of chemicals, preparations (e.g., soaps and paints) and articles (e.g., consumer products) before those materials could be manufactured or imported into EU countries. Where warranted by a risk assessment, hazardous substances would require authorizations for their use. This regulation could impose risk control strategies that would require capital expenditures by us. As proposed, REACH would take effect in three primary stages over the eleven years following the final effective date (assuming final approval). The impacts of REACH on the chemical industry and on us are unclear at this time because the parameters of the program are still being actively debated.

MTBE Developments

The use of MTBE is controversial in the U.S. and elsewhere and may be substantially curtailed or eliminated in the future by legislation or regulatory action. The presence of MTBE in some groundwater supplies in California and other states (primarily due to gasoline leaking from underground storage tanks) and in surface water (primarily from recreational watercraft) has led to public concern about MTBE's potential to contaminate drinking water supplies. Heightened public awareness regarding this issue has resulted in state, federal and foreign initiatives to rescind the federal oxygenate requirements for reformulated gasoline or restrict or prohibit the use of MTBE in particular. For example, California, New York and Connecticut have adopted rules that prohibit the use of MTBE in gasoline sold in those states as of January 1, 2004. Overall, states that have taken some action to prohibit or restrict the use of MTBE in gasoline account for a substantial portion of the "pre-ban" U.S. MTBE market. Thus far, attempts by others to challenge these state bans in federal court under the reformulated gasoline provisions of the federal Clean Air Act have been unsuccessful.

The U.S. Congress has been considering legislation that would eliminate the oxygenated fuels requirements in the Clean Air Act and phase out or curtail MTBE use over a period of several years. To date, no such legislation has become law. If it were to become law it could result in a federal phase-out of the use of MTBE in gasoline in the U.S., but it would not prevent us from manufacturing MTBE in our plants. In addition, in March 2000, the EPA announced its intention, through an advanced notice of proposed rulemaking, to phase out the use of MTBE under authority of the federal Toxic Substances Control Act. EPA has not yet acted on this proposal, however. In Europe, the EU issued a final risk assessment report on MTBE in September 2002. No ban of MTBE was recommended, though several risk reduction measures relating to storage and handling of MTBE-containing fuel were recommended.

We currently market approximately 95% of our MTBE to customers located in the U.S. for use as a gasoline additive. Any phase-out or other future regulation of MTBE in other jurisdictions, nationally or internationally, may result in a significant reduction in demand for our MTBE and result in a material loss in revenues or material costs or expenditures. In the event that there should be a complete phase-out of MTBE in the U.S., we believe we will be able to export MTBE to Europe, Asia or South America, although this may produce a lower level of cash flow than the sale of MTBE in the U.S. We may also elect to use all or a portion of our precursor TBA to produce saleable products other than MTBE. If we opt to produce products other than MTBE, necessary modifications to our facilities may require significant capital expenditures and the sale of the other products may produce a materially lower level of cash flow than the sale of MTBE.

In addition to the use limitations described above, a number of lawsuits have been filed, primarily against gasoline manufacturers, marketers and distributors, by persons seeking to recover damages allegedly arising from the presence of MTBE in groundwater. While we have not been named as a defendant in any litigation concerning the environmental effects of MTBE, we cannot provide assurances that we will not be involved in any such litigation or that such litigation will not have a material adverse effect on our results of operations, financial position or liquidity.

Legal Proceedings

We have settled certain Discoloration Claims during and prior to the second quarter of 2004 relating to discoloration of unplasticized polyvinyl chloride products allegedly caused by our titanium dioxide. Substantially all of the titanium dioxide that was the subject of these claims was manufactured prior to our acquisition of our titanium dioxide business from ICI in 1999. Net of amounts we have received from insurers and pursuant to contracts of indemnity, we have paid approximately £8 million ($14.9 million) in costs and settlement amounts for Discoloration Claims.

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

	Year ended December 31, 2001	Year ended December 31, 2002	Year ended December 31, 2003	Nine months ended September 30, 2004
Claims filed during period	5	0	1	1
Claims resolved during period	0	0	2	2
Claims unresolved at end of period	5	5	4	3

The five Discoloration Claims unresolved at the end of 2001 and 2002 included three claims that did not quantify monetary damages and two claims asserting aggregate damages of approximately $4.5 million. During the year ended December 31, 2003, we settled claims for approximately $77.7 million, all of which was paid by our insurers or ICI. The four Discoloration Claims unresolved at the end of 2003 included two claims that did not quantify monetary damages and two claims asserting

aggregate damages of approximately $4.5 million. During the nine months ended September 30, 2004, we settled claims for approximately $45.3 million, approximately $30.4 million of which was paid by our insurers or ICI and approximately $14.9 million of which was paid by us. We recorded a charge for this of approximately $14.9 million during the second quarter of 2004. The three Discoloration Claims unresolved on September 30, 2004 asserted aggregate damages of approximately $6.7 million. We have not accrued any amounts in our financial statements as of September 30, 2004 for damages relating to the three outstanding Discoloration Claims. The aggregate amount sought in such cases is not material to our financial condition, results of operations or liquidity. Further, we expect to be reimbursed under our indemnity from ICI for substantially all of the amounts, if any, ultimately paid in connection with these pending cases.

While additional Discoloration Claims may be made in the future, we cannot reasonably estimate the amount of loss related to such claims. Although we may incur additional costs as a result of future claims (including settlement costs), based on our history with Discoloration Claims to date, the fact that substantially all of the titanium dioxide that has been the subject of these Discoloration Claims was manufactured and sold more than five years ago, and the fact that we have rights under contract to indemnity, including from ICI, we do not believe that any unasserted possible Discoloration Claims, if any, will have a material impact on our financial condition, results of operations or liquidity. Based on this conclusion and our inability to reasonably estimate our expected costs with respect to these unasserted possible claims, we have made no accruals in our financial statements as of September 30, 2004 for costs associated with unasserted possible Discoloration Claims, if any.

Certain insurers have denied coverage with respect to certain Discoloration Claims. We brought suit against these insurers to recover the amounts we believe are due to us. The court found in favor of the insurers, and we lodged an application for leave to appeal that decision. Leave to appeal was granted in December 2004. We expect the appeal to be heard during the third quarter of 2005.

Vantico concluded that certain of the products of its former Electronics division may have infringed patents owned by Taiyo and it entered into a license agreement in October 2001 with Taiyo to obtain the right to use the Taiyo patents. This license agreement required payment of approximately $4.2 million in back royalties and agreement to pay periodic royalties for future use. We believe that Ciba is liable under the indemnity provisions of certain agreements in connection with the leveraged buy out transaction in 2000 involving Ciba and Vantico for certain payments made under the license agreement and related costs and expenses, and we initiated an arbitration proceeding against Ciba. In July 2004, we entered into a settlement agreement with Ciba with respect to this matter. In general, the settlement agreement provided that Ciba would pay us $10.9 million in 2004 and provide us with approximately $11 million of credits over the next five years against payments for certain services provided by Ciba at one of our Advanced Materials facilities. We received additional consideration in the form of modifications to certain agreements between our Advanced Materials business and Ciba. In August 2004, we received payment of the $10.9 million settlement. To date, we have incurred approximately $2.2 million in costs in connection with the arbitration proceedings against Ciba.

We are a party to various lawsuits brought by persons alleging personal injuries and/or property damage based upon alleged exposure to toxic air emissions. For example, since June 2003, a number of lawsuits have been filed in state district court in Jefferson County, Texas against several local chemical plants and refineries, including our subsidiary Huntsman Petrochemical Corporation. Generally, these lawsuits allege that the refineries and chemical plants located in the vicinity of the plaintiffs' homes discharged chemicals into the air that interfere with use and enjoyment of property and cause health problems and/or property damages. None of these lawsuits includes the amount of damages being sought. Because these cases are still in the initial stages, we do not have sufficient information at the present time to estimate the amount or range of reasonably possible loss. The following table presents information about the number of claims asserting damages based upon alleged exposure to toxic air

emissions for the periods indicated. Claims include all claims for which service has been received by us, and each such claim represents a plaintiff who is pursuing a claim against us.

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
Claims filed during period	721	0
Claims resolved during period	0	0
Claims unresolved at end of period	721	721

During the fourth quarter of 2004, an additional 153 of these claims were filed, 51 of which were withdrawn during the period, leaving 823 of these claims unresolved as of December 31, 2004. We believe that we have valid defenses to these claims and, to the extent that we are not able to otherwise reach an appropriate resolution of these claims, we intend to defend them vigorously.

In addition, we have been named as a "premises defendant" in a number of asbestos exposure cases, typically a claim by a non-employee of exposure to asbestos while at a facility. These cases usually involve multiple plaintiffs bringing actions against multiple defendants, and the complaint does not indicate which plaintiffs are making claims against which defendants, where or how the alleged injuries occurred, or what injuries each plaintiff claims. These facts, which are central to any estimate of probable loss, can be learned only through discovery.

Where the alleged exposure occurred prior to our ownership or operation of the relevant "premises," the prior owners and operators generally have contractually agreed to retain liability for, and to indemnify us against, asbestos exposure claims. This indemnification is not subject to any time or dollar amount limitations. Upon service of a complaint in one of these cases, we tender it to the prior owner or operator. None of the complaints in these cases state the amount of damages being sought. The prior owner or operator accepts responsibility for the conduct of the defense of the cases and payment of any amounts due to the claimants. In our ten-year experience with tendering these cases, we have not made any payment with respect to any tendered asbestos cases. We believe that the prior owners or operators have the intention and ability to continue to honor their indemnities, although we cannot assure you that they will continue to do so or that we will not be liable for these cases if they do not.

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

	Year ended December 31, 2001	Year ended December 31, 2002	Year ended December 31, 2003	Nine months ended September 30, 2004
Tendered during the period	93	70	91	69
Resolved during the period	24	46	51	47
Unresolved at end of the period	279	303	343	365

We have never made any payments with respect to these cases. Based on the information we currently have available to us, we are unable to estimate a gross probable liability (i.e., before the effect of our indemnity from the prior owner or operator) for these cases, and we therefore have not accrued any liability for these cases on our balance sheet. We cannot assure you that our liability associated with these cases would not be material to our financial condition, results of operations or liquidity.

Certain cases in which we are a "premises defendant" are not subject to indemnification by prior owners or operators. The following table presents for the periods indicated certain information about these cases. Cases include all cases for which service has been received by us.

	Year ended December 31, 2001	Year ended December 31, 2002	Year ended December 31, 2003	Nine months ended September 30, 2004
Filed during period	8	15	28	18
Resolved during period	2	2	6	17
Unresolved at end of period	13	26	48	49

We paid gross settlement costs for asbestos exposure cases that are not subject to indemnification of approximately $50,000 in 2001, approximately $1.1 million in 2002, approximately $250,000 in 2003 and approximately $700,000 during the first nine months of 2004.

As of September 30, 2004, we had accrued reserves of $1.1 million relating to four of these 49 cases. We cannot assure you that our liability will not exceed our accruals or that our liability associated with these cases would not be material to our financial condition, results of operations or liquidity.

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

MANAGEMENT

Directors and Executive Officers and Other Key Officers

The current members of our board of directors and our current executive officers are listed below. Our directors will serve staggered three-year terms and our executive officers serve at the pleasure of our board of directors.

Name	Ages	Position
Jon M. Huntsman*	67	Chairman of the Board and Director
Peter R. Huntsman*	41	President, Chief Executive Officer and Director
J. Kimo Esplin	42	Executive Vice President and Chief Financial Officer
Samuel D. Scruggs	45	Executive Vice President, General Counsel and Secretary
Anthony P. Hankins	47	Division President, Polyurethanes
Paul G. Hulme	48	Division President, Advanced Materials
Thomas J. Keenan	52	Division President, Pigments
Kevin J. Ninow	41	Division President, Base Chemicals and Polymers
Donald J. Stanutz	54	Division President, Performance Products
Michael J. Kern	55	Senior Vice President, Environmental, Health & Safety and Chief Information Officer
Don H. Olsen	58	Senior Vice President, Global Public Affairs
Brian V. Ridd	46	Senior Vice President, Purchasing
L. Russell Healy	49	Vice President and Controller
David J. Matlin	43	Director
Richard Michaelson	53	Director, Chairman of the Audit Committee
Christopher R. Pechock	40	Director

* Jon M. Huntsman is the father of Peter R. Huntsman.

Our other key officers are listed below.

Name	Age	Position
Martin Casey	56	Vice President, Strategic Planning
Sean Douglas	40	Vice President and Treasurer
Kevin C. Hardman	41	Vice President, Tax
John R. Heskett	36	Vice President, Corporate Development and Investor Relations
James R. Moore	60	Vice President and Deputy General Counsel
R. Wade Rogers	39	Vice President, Global Human Resources

Jon M. Huntsman is Chairman of the Board of Directors of our company and has held this position since our company was formed. He has been Chairman of the Board of all Huntsman companies since he founded his first plastics company in 1970. Mr. Huntsman served as Chief Executive Officer of our company and our affiliated companies from 1970 to 2000. Mr. Huntsman is a director or manager, as applicable, of HMP, HLLC, HIH, HI and certain of our other subsidiaries. In addition, Mr. Huntsman serves or has served as Chairman or as a member of numerous corporate, philanthropic and industry boards, including the American Red Cross, The Wharton School, University of Pennsylvania, Primary Children's Medical Center Foundation, the Chemical Manufacturers Association and the American Plastics Council. Mr. Huntsman was selected in 1994 as the chemical industry's top CEO for all businesses in Europe and North America. Mr. Huntsman formerly served as Special Assistant to the President of the United States and as Vice Chairman of the U.S. Chamber of Commerce. He is the Chairman and Founder of the Huntsman Cancer Institute.

Peter R. Huntsman is President, Chief Executive Officer and a Director of our company. Prior to his appointment in July 2000 as Chief Executive Officer, Mr. Huntsman had served as President and Chief Operating Officer since 1994. In 1987, Mr. Huntsman joined Huntsman Polypropylene Corporation as Vice President before serving as Senior Vice President and General Manager. Mr. Huntsman has also served as President of Olympus Oil, as Senior Vice President of Huntsman Chemical Corporation and as a Senior Vice President of Huntsman Packaging Corporation, a former subsidiary of our company. Mr. Huntsman is a director or manager, as applicable, of HMP, HLLC, HIH, HI and certain of our other subsidiaries.

J. Kimo Esplin is Executive Vice President and Chief Financial Officer. Mr. Esplin has served as chief financial officer of all of the Huntsman companies since 1999. From 1994 to 1999, Mr. Esplin served as our Treasurer. Prior to joining Huntsman in 1994, Mr. Esplin was a Vice President in the Investment Banking Division of Bankers Trust Company, where he worked for seven years. Mr. Esplin also serves as a director of Nutraceutical International Corporation, a publicly traded nutrition supplements company.

Samuel D. Scruggs is Executive Vice President, General Counsel and Secretary. Mr. Scruggs served as Vice President and Treasurer from 2000 to 2002 and as Vice President and Associate General Counsel from 1999 to 2000. Prior to joining Huntsman in 1995, Mr. Scruggs was an associate with the law firm of Skadden, Arps, Slate, Meagher & Flom LLP.

Anthony P. Hankins is Division President, Polyurethanes. Mr. Hankins was appointed to this position in March 2004. From May 2003 to February 2004, Mr. Hankins served as President, Performance Products, from January 2002 to April 2003, he served as Global Vice President, Rigids Division for our Polyurethanes business, from October 2000 to December 2001, he served as Vice President Americas for our Polyurethanes business, and from March 1998 to September 2000, he served as Vice President Asia Pacific for our Polyurethanes business. Mr. Hankins worked for ICI from 1980 to February 1998, when he joined our company. At ICI, Mr. Hankins held numerous management positions in the plastics, fibers and polyurethanes businesses. He has extensive international experience, having held senior management positions in Europe, Asia and the U.S.

Paul G. Hulme is Division President, Advanced Materials, and has served in that role since June 2003. From February 2000 to May 2003, Mr. Hulme served as Vice President, Performance Chemicals, and from December 1999 to February 2000 he served as Operations Director, Polyurethanes. Prior to joining Huntsman in 1999, Mr. Hulme held various positions with ICI in finance, accounting and information systems roles. Mr. Hulme is a Chartered Accountant.

Thomas J. Keenan is Division President, Pigments, and has served in that role since August 2003. From January 2000 to August 2003, Mr. Keenan served as President, North American Petrochemicals and Polymers, and from January 1998 to January 2000, he served as Senior Vice President of Huntsman Chemical Company LLC. Prior to joining Huntsman in 1994, Mr. Keenan was Vice President and General Manager, Olefins and Polyolefins for Mobil Chemical Company, where he worked for more than sixteen years.

Kevin J. Ninow is Division President, Base Chemicals and Polymers, and has served in that role since July 2003. From July 1999 to July 2003, Mr. Ninow served as Senior Vice President, European Petrochemicals. Mr. Ninow joined Huntsman in 1989.

Donald J. Stanutz is Division President, Performance Products. Mr. Stanutz was appointed to this position in March 2004. Mr. Stanutz served as Executive Vice President and Chief Operating Officer of HLLC from December 2001 to February 2004, as Executive Vice President, Global Sales and Marketing from July 2000 to November 2001 and as Executive Vice President, Polyurethanes, PO and Performance Chemicals from July 1999 to June 2000. Prior to joining Huntsman in 1994, Mr. Stanutz served in a variety of senior positions with Texaco Chemical Company.

Michael J. Kern is Senior Vice President Environmental, Health & Safety, and Chief Information Officer. Mr. Kern has held this position since December 2003. Mr. Kern has served in several senior management positions of our company, including Senior Vice President Environmental, Health & Safety from July 2001 to December 2003 and Senior Vice President, Manufacturing from December 1995 to July 2001. Prior to joining Huntsman, Mr. Kern held a variety of positions within Texaco Chemical Company, including Area Manager Jefferson County Operations from April 1993 until joining our company, Plant Manager of the Port Neches facility from August 1992 to March 1993, Manager of the PO/MTBE project from October 1989 to July 1992, and Manager of Oxides and Olefins from April 1988 to September 1989.

Don H. Olsen is Senior Vice President, Global Public Affairs. Mr. Olsen served as Senior Vice President, Public Affairs from August 1993 until he was appointed to his current position in June 2003 and as Vice President, Communications from November 1988 until August 1993. Prior to joining Huntsman in 1988, Mr. Olsen had a 17-year career in broadcast journalism. He also spent three years in Washington, D.C. as Director of Communications for former U.S. Senator Jake Garn.

Brian V. Ridd is Senior Vice President, Purchasing. Mr. Ridd has held this position since July 2000. Mr. Ridd served as Vice President, Purchasing from December 1995 until he was appointed to his current position. Mr. Ridd joined Huntsman in 1984.

L. Russell Healy is Vice President and Controller. Mr. Healy is also Vice President and Controller of HLLC, HIH, HI and Advanced Materials and has served in these capacities since April 2004. From August 2001 to April 2004, Mr. Healy served as Vice President, Finance, and from July 1999 to July 2001, he served as Vice President and Finance Director for HI. Prior to joining Huntsman in 1995, Mr. Healy was a partner with the accounting firm of Deloitte & Touche, LLP. Mr. Healy is a Certified Public Accountant and holds a master's degree in accounting.

David J. Matlin is a Director. Mr. Matlin also serves as the Chief Executive Officer of MatlinPatterson Global Advisers LLC, a $3.8 billion private equity firm which he co-founded in 2002 in a spin-off from Credit Suisse First Boston. Prior to the formation of MatlinPatterson in 2002, Mr. Matlin was a Managing Director at Credit Suisse First Boston and the head of its Distressed Securities Group since its formation in 1994. Prior to joining Credit Suisse First Boston, Mr. Matlin was Managing Director of distressed securities and co-founder of Merrion Group, L.P., a successor to Scully Brothers & Foss L.P. from 1988 to 1994. From 1986 to 1988, he was a securities analyst at Halcyon Investments. Mr. Matlin is a director or manager, as applicable, of HMP, HLLC, HIH and certain of our other subsidiaries.

Richard Michaelson is a Director and Chairman of the Audit Committee. Mr. Michaelson is the Chief Financial Officer and Secretary of Life Sciences Research Inc, a contract research organization providing global outsourcing services to the pharmaceutical industry. Prior to his joining LSR in 1998, he was a partner in Focused Healthcare Partners, a healthcare investment company. Mr. Michaelson was the Chief Financial Officer of Unilab Corporation, California's largest provider of clinical laboratory services, from 1993 to 1997, and held a succession of senior management positions at MetPath (now Quest Diagnostics) between 1982 and 1993. Mr. Michaelson was a financial analyst at IBM from 1979 to 1982. Mr. Michaelson is a director or manager, as applicable, of HMP, HLLC, HIH and certain of our other subsidiaries.

Christopher R. Pechock is a Director. Mr. Pechock has served as an officer of MatlinPatterson Global Advisers LLC since July 2002. Mr. Pechock has been active in the distressed securities markets for 14 years. Prior to July 2002, Mr. Pechock was a member of Credit Suisse First Boston's Distressed Group which he joined in 1999. Before joining Credit Suisse First Boston, Mr. Pechock was a Portfolio Manager and Research Analyst in distressed securities at Turnberry Capital Management, L.P. from 1997 to 1999, a Portfolio Manager in distressed securities and special situations at Eos Partners, L.P. from 1996 to 1997, a Vice President and high yield analyst at PaineWebber Inc. from 1993 to 1996 and

an analyst in risk arbitrage at Wertheim Schroder & Co., Incorporated from 1987 to 1991. Mr. Pechock is a director or manager, as applicable, of HMP, HLLC, HIH and certain of our other subsidiaries.

Martin Casey is Vice President, Strategic Planning. Dr. Casey has held this position since August 2004. From 1999 until he was appointed to his current position, Dr. Casey was responsible for planning and business development in Huntsman's Polyurethanes Business, which was acquired from ICI in 1999. From 1995 to 1999 he was New Business Development Manager for ICI's polyurethanes business, before which he was Business Manager for ICI's acrylic sheet business and held a variety of earlier positions in technical and business management roles.

Sean Douglas is Vice President and Treasurer. Mr. Douglas served as Vice President, Finance from July 2001 until he was appointed to his current position in 2002 and as Vice President, Administration from January 1997 to July 2001. Mr. Douglas is a Certified Public Accountant and, prior to joining Huntsman in 1990, worked for the accounting firm of Price Waterhouse.

Kevin C. Hardman is Vice President, Tax. Mr. Hardman served as Chief Tax Officer from 1999 until he was appointed to his current position in 2002. Mr. Hardman is also Vice President, Tax of HLLC. Prior to joining Huntsman in 1999, Mr. Hardman was a tax Senior Manager with the accounting firm of Deloitte & Touche, LLP, where he worked for 10 years. Mr. Hardman is a Certified Public Accountant and holds a master's degree in tax accounting.

John R. Heskett is Vice President, Corporate Development and Investor Relations. Mr. Heskett has held this position since August 2004. Mr. Heskett was appointed Vice President, Corporate Development in 2002. Mr. Heskett previously served as Assistant Treasurer for our company and several of our subsidiaries, including HI and HLLC. Prior to joining Huntsman in 1997, Mr. Heskett was Assistant Vice President and Relationship Manager for PNC Bank, N.A., where he worked for a number of years.

James R. Moore is Vice President and Deputy General Counsel. Mr. Moore served as Vice President and Chief Environmental Counsel from 2002 until he was appointed to his current position in 2003. Mr. Moore served as Senior Environmental Counsel from 1998 to 2002. From 1989 until joining Huntsman in 1998, Mr. Moore was a partner at the Seattle law firm of Perkins Coie. Mr. Moore also previously served as a trial attorney with the U.S. Department of Justice, an assistant U.S. Attorney and Regional Counsel, Region 10, of the U.S. Environmental Protection Agency.

R. Wade Rogers is Vice President, Global Human Resources. Mr. Rogers has held this position since May 2004. From October 2003 to May 2004, Mr. Rogers served as Director, Human Resources Americas and from August 2000 to October 2003, he served as Director, Human Resources for our Polymers and Base Chemicals businesses. From the time he joined Huntsman in 1994 to August 2000, Mr. Rogers served as Area Manager, Human Resources Jefferson County Operations. Prior to joining Huntsman, Mr. Rogers held a variety of positions with Texaco Chemical Company.

Composition of the Board After This Offering

Our board of directors currently consists of five directors, including Richard Michaelson, who is an independent director. The listing requirements of the New York Stock Exchange require that our board of directors be composed of a majority of independent directors within one year of the listing of our common stock on the New York Stock Exchange. Accordingly, we intend to appoint additional independent directors to our board of directors following the consummation of the offering.

Pursuant to our certificate of incorporation, our board of directors is divided into three classes. The members of each class serve staggered, three-year terms. Upon the expiration of the term of a class of directors, directors in that class will be elected for three-year terms at the annual meeting of

stockholders in the year in which their term expires. Immediately after the consummation of the offering, the classes will be composed as follows:

- Jon M. Huntsman and David J. Matlin will be Class I directors, whose terms will expire at the first annual meeting of stockholders following this offering;
- Peter R. Huntsman and Christopher R. Pechock will be Class II directors, whose terms will expire at the second annual meeting of stockholders following this offering; and
- Richard Michaelson will be the Class III director, whose term will expire at the third annual meeting of stockholders following this offering.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

Jon M. Huntsman and Peter R. Huntsman have agreed to cause all of the shares of our common stock held by Investments Trust to be voted in favor of the election to our board of directors of two nominees designated by MatlinPatterson, who currently are David J. Matlin and Christopher R. Pechock.

Committees of the Board of Directors

Our board of directors currently has an audit committee, a compensation committee and a nominating and corporate governance committee.

Audit Committee

Immediately after the consummation of the offering, our audit committee will consist of three members, including Mr. Michaelson, who is the chairman of the audit committee. We expect that our board of directors will determine that Mr. Michaelson is independent within the rules and regulations of the SEC and that Mr. Michaelson is an "audit committee financial expert" as such term is defined in Item 401(h) of Regulation S-K. Rule 10A-3 under the Securities Exchange Act of 1934 and the listing requirements of the New York Stock Exchange require that our audit committee be composed of a majority of independent directors within 90 days of the effectiveness of the registration statement of which this prospectus is a part and that it be composed solely of independent directors within one year of such date. Accordingly, we intend to appoint additional independent directors to our audit committee to replace its two non-independent members following the consummation of the offering. The principal duties of the audit committee include:

- recommending to our board of directors the independent auditor to audit our annual financial statements;
- approving the overall scope of and overseeing the annual audit;
- assisting the board in monitoring the integrity of our financial statements, the independent auditor's qualifications and independence, the performance of the independent auditor and our internal audit function and our compliance with legal and regulatory requirements;
- discussing the annual audited financial and quarterly statements with management and the independent auditor;
- discussing policies with respect to risk assessment and risk management; and
- reviewing with the independent auditor any audit problems or difficulties and management's response.

Compensation Committee

Immediately after the consummation of the offering, our compensation committee will consist of three members, including Mr. Michaelson. The listing requirements of the New York Stock Exchange require that our compensation committee be composed of a majority of independent directors within 90 days of the listing of our common stock on the New York Stock Exchange and that it be composed solely of independent directors within one year of such date. Accordingly, we intend to appoint additional independent directors to our compensation committee and replace its two non-independent members following the consummation of the offering. The principal duties of the compensation committee include:

- reviewing and approving the compensation of our executive officers;
- reviewing key employee compensation policies, plans and programs;
- reviewing and approving employment contracts and other similar arrangements between us and our executive officers; and
- administering the Huntsman Stock Incentive Plan and other incentive compensation plans.

Nominating and Corporate Governance Committee

Immediately after the consummation of the offering, our nominating and corporate governance committee will consist of three members, including Mr. Michaelson. The listing requirements of the New York Stock Exchange require that our nominating and corporate governance committee be composed of a majority of independent directors within 90 days of the listing of our common stock on the New York Stock Exchange and that it be composed solely of independent directors within one year of such date. Accordingly, we intend to appoint additional independent directors to our nominating and corporate governance committee and replace its two non-independent members following the consummation of the offering. The principal duties of the nominating and corporate governance committee include:

- recommending to the board of directors proposed nominees for election to the board of directors by the stockholders at annual meetings, including an annual review as to the renominations of incumbents and proposed nominees for election by the board of directors to fill vacancies that occur between stockholder meetings; and
- making recommendations to the board of directors regarding corporate governance matters and practices.

Compensation of Directors

Directors who are also our employees do not receive a retainer or fees for service on our board of directors or any committees. Directors who are not employees receive an annual director fee of $125,000 and an annual fee of $10,000 for each committee of our board of directors on which they serve. The chairperson of the audit committee will receive an annual fee of $25,000 and the chairperson of the compensation committee and the nominating and corporate governance committee will receive an annual fee of $15,000, in each case in lieu of the $10,000 annual committee fee. All of our directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of our board of directors or committees and for other reasonable expenses related to the performance of their duties as directors.

In June 2003, we entered into a consulting agreement with Mr. Jon M. Huntsman, pursuant to which Mr. Huntsman receives $950,000 per year. In addition, Huntsman Financial Consulting, L.C., of which Jon M. Huntsman is the sole member, has received compensation from us in the form of

perquisites and other personal benefits. See "Certain Relationships and Related Transactions HI Consulting Agreement with Jon M. Huntsman" and " Other Transactions with the Huntsman Family."

Summary Executive Compensation

The following summary compensation table sets forth information concerning compensation earned in the fiscal years ended December 31, 2004, 2003 and 2002 by our chief executive officer and our four other most highly compensated executive officers at the end of 2004. Information is also included for the former president of our polyurethanes business, who would have been among the most highly compensated executive officers if he had not ceased to be an executive officer during 2004. We refer to these six persons collectively as our "named executive officers."

		Annual Compensation(1)			
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Other Annual Compensation (2)**	**All Other Compensation**
Peter R. Huntsman	2004	$ 1,359,085	$ 550,000		$ 158,022(3)
President, Chief Executive Officer and Director	2003	$ 1,329,249	$ 500,000	$ 1,538,136(4)	$ 172,340(3)
	2002	$ 1,144,000	$ 750,000	$ 452,434(5)	$ 135,520(3)
J. Kimo Esplin	2004	$ 420,007	$ 360,000		$ 72,001(6)
Executive Vice President and Chief Financial Officer	2003	$ 410,775	$ 300,000		$ 49,336(6)
	2002	$ 397,318	$ 400,000		$ 23,464(6)
Samuel D. Scruggs	2004	$ 350,175	$ 325,000		$ 42,941(7)
Executive Vice President and General Counsel	2003	$ 342,448	$ 450,000		$ 37,122(7)
	2002	$ 332,350	$ 400,000		$ 22,970(7)
Anthony P. Hankins	2004	$ 423,466	$ 350,000	$ 92,564(8)	$ 23,327(9)
Division President, Polyurethanes	2003	$ 360,630	$ 200,000	$ 147,518(10)	$ 5,063(9)
	2002	$ 339,446	$ 157,021	$ 121,597(11)	$ 3,440(9)
Paul G. Hulme	2004	$ 395,605	$ 300,000	84,457(12)	
Division President, Advanced Materials	2003	$ 332,040	$ 329,691	$ 91,105(13)	
	2002	$ 179,942	$ 167,555	$ 107,714(14)	
Patrick W. Thomas(15)	2004	$ 335,847		$ 3,317,789(16)	
Former Division President, Polyurethanes	2003	$ 554,792	$ 233,000	$ 168,476(17)	
	2002	$ 484,544	$ 452,136	$ 143,329(18)	

(1) All compensation for Messrs. Huntsman, Esplin and Scruggs was paid entirely by our subsidiary HLLC. All compensation for Messrs. Hankins, Hulme and Thomas was paid entirely by our subsidiary HI or one of its subsidiaries. Compensation figures for these executives shown on the table represent 100% of the compensation paid by our company and all of our affiliates to such executives.

(2) Excludes perquisites and other personal benefits, securities or property received by the named executive officer which are less than either $50,000 or 10% of the total annual salary and bonus reported for the named executive officer.

(3) Consists of $4,100, $4,000 and $4,000 employer's contribution to the 401(k) Plan for 2004, 2003 and 2002, respectively, $5,195 and $2,000 employer's contribution to the Supplemental 401(k) Plan for 2004 and 2003, respectively, $16,400, $16,000 and $16,000 employer's contribution to the Money Purchase Plan for 2004, 2003 and 2002, respectively, and $132,327, $150,340 and $115,520 employer's contribution to the money purchase pension plan portion of the Huntsman SERP for 2004, 2003 and 2002, respectively.

(4) Perquisites and other personal benefits in the amount of $1,538,136 were provided for the named executive officer, including $1,190,763 for taxes and tax gross-ups paid in connection with foreign assignment.

(5)

Perquisites and other personal benefits in the amount of $452,434 were provided for the named executive officer, including $345,244 for taxes paid in connection with foreign assignment.

(6)

Consists of $4,100, $4,000 and $4,000 employer's contribution to the 401(k) Plan for 2004, 2003 and 2002, respectively, $10,300 and $12,215 employer's contribution to the Supplemental 401(k) Plan for 2004 and 2003, respectively, $16,400,

$6,000 and $6,000 employer's contribution to the Money Purchase Plan for 2004, 2003 and 2002, respectively, and $41,201, $27,121 and $13,464 employer's contribution to the money purchase pension plan portion of the Huntsman SERP for 2004, 2003 and 2002, respectively.

(7)

Consists of $4,100, $4,000 and $4,000 employer's contribution to the 401(k) Plan for 2004, 2003 and 2002, respectively, $11,903 and $10,849 employer's contribution to the Supplemental 401(k) Plan for 2004 and 2003, respectively, $6,150, $6,000 and $6,000 employer's contribution to the Money Purchase Plan for 2004, 2003 and 2002, respectively, and $20,788, $16,273 and $12,970 employer's contribution to the money purchase pension plan portion of the Huntsman SERP for 2004, 2003 and 2002, respectively.

(8)

Perquisites and other personal benefits in the amount of $92,564 were provided for the named executive officer, including $52,175 as a housing allowance and $40,390 for location and other allowances for foreign assignment.

(9)

Consists of $9,225 employer's contribution to the 401(k) Plan for 2004, $7,477 employer's contribution to the Supplemental 401(k) Plan for 2004, $6,085 employer's contribution to the Money Purchase Plan for 2004, and $540, $5,063 and $3,440 employer's contribution to the money purchase pension plan portion of the Huntsman SERP for 2004, 2003 and 2002, respectively.

(10)

Perquisites and other personal benefits in the amount of $147,518 were provided for the named executive officer, including $52,609 for taxes and tax gross-ups paid in connection with foreign assignment, $50,172 as a housing allowance and $44,737 for other allowances for foreign assignment.

(11)

Perquisites and other personal benefits in the amount of $121,597 were provided for the named executive officer, including $27,842 for taxes and tax gross-ups paid in connection with foreign assignment, $50,172 as a housing allowance and $34,388 for other allowances for foreign assignment.

(12)

Perquisites and other personal benefits in the amount of $84,457 were provided for the named executive officer, including $51,737 as a housing allowance and $24,809 for location and other allowances for foreign assignment.

(13)

Perquisites and other personal benefits in the amount of $91,105 were provided for the named executive officer, including $46,006 as a housing allowance and $38,458 for location and other allowances for foreign assignment.

(14)

Perquisites and other personal benefits in the amount of $107,714 were provided for the named executive officer, including $64,380 as a temporary allowance and $27,585 as a housing allowance.

(15)

Mr. Thomas ceased to be an executive officer on February 29, 2004.

(16)

Perquisites and other personal and severance benefits in the amount of $3,317,789 were provided for the named executive officer, including $48,610 as a housing allowance, $17,009 for location and other allowances, $8,653 for school fees and $3,237,771 for various severance payments.

(17)

Perquisites and other personal benefits in the amount of $168,476 were provided for the named executive officer, including a payment of $98,593 as a housing allowance and $58,788 for location and other allowances for foreign assignment.

(18)

Perquisites and other personal benefits in the amount of $143,329 were provided for the named executive officer, including a payment of $82,180 for housing expenses and $39,260 for location and other allowances for foreign assignment.

Cost Reduction Incentive Plan

In connection with our Project Coronado cost reduction program, we have adopted the Huntsman Cost Reduction Incentive Plan. The purpose of the plan is to encourage key employees to reduce fixed costs by providing incentive pay based upon the reduction in fixed costs for 2005 and 2006 relative to fixed costs for 2002. Fixed costs are calculated in accordance with the plan, on a constant currency basis. There are approximately 63 participants in the plan, including our Chairman of the Board and all of our executive officers. Plan participants will receive a bonus for 2005 if our annualized fixed costs as measured at the end of the second half of 2005 are at least $150 million less than our fixed costs for 2002 and will receive a bonus for 2006 if our annualized fixed costs as measured at the end of the first half of 2006 are at least $150 million less than our fixed costs for 2002. The aggregate bonus pool amount for each of 2005 and 2006 will be between 5% and 10% of the fixed cost reduction for the applicable period, depending on the amount of the reduction. No bonus will be paid for a period if the amount of the fixed cost reduction for that period is less than $150 million. Each participant's share of the aggregate bonus pool was determined by the compensation committee of HMP. In general, in order to receive a bonus for 2005 or 2006, a participant must be employed at the end of that year or either

have been terminated by us other than for reasonable cause or have voluntarily terminated for good reason. Bonuses for 2005 will be payable no later than March 31, 2006, and bonuses for 2006 will be payable no later than January 7, 2007. However, we have the right to defer payments under certain circumstances. Bonuses will be payable in lump-sum cash payments, subject to our right to pay all or part of a bonus in shares of our common stock.

The bonuses will be taxable to the participants as ordinary income, and we will be entitled to a corresponding tax deduction, for the year in which such bonuses are paid. We intend to operate the plan in a manner that complies with Section 409A of the Internal Revenue Code so that the participants are not subject to the additional 20% tax imposed on certain deferred compensation.

Retirement Plans

Huntsman Pension Plan and Huntsman SERP

We sponsor the Huntsman Defined Benefit Pension Plan (the "Huntsman Pension Plan"), a tax-qualified defined benefit pension plan, and a non-qualified supplemental pension plan (the "Huntsman SERP"). Effective July 1, 2004, the formula used to calculate future benefits under the Huntsman Pension Plan and the Huntsman SERP was changed to a cash balance formula. The benefits accrued under the plans as of June 30, 2004 were used to calculate opening cash balance accounts.

Huntsman Pension Plan. Of our named executive officers, Messrs. Peter Huntsman, Esplin and Scruggs were participants in the Huntsman Pension Plan in 2004. The Huntsman Pension Plan expresses benefits as a hypothetical cash balance account established in each participant's name. A participant's account receives two forms of credits: "pay credits" and "interest credits." Pay credits equal a percentage of a participant's compensation and are credited to a participant's account on an annual basis. "Compensation" for this purpose includes both salary and bonus as described in the Summary Compensation Table, but subject to the compensation limit applicable to tax-qualified plans ($205,000 for 2004). The applicable pay credit percentage ranges between 4% and 12% depending on the participant's combined age and years of service as of the start of each plan year. "Interest credits" for a plan year are based on the 30-year U.S. Treasury yield for November of the prior year. The minimum annual interest credit rate is 5.0%. In addition, plan participants who met certain age and service requirements on July 1, 2004 are entitled to receive "transition credits." Transition credits are payable for up to five years and equal a percentage of a participant's compensation.