Huntsman CORP
Form 10-K
February 26, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

(Mark One)

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

OR

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

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

Securities registered pursuant to Section 12(b) of the Exchange Act:

Registrant	Title of each class	Name of each exchange on which registered
Huntsman Corporation	Common Stock, par value $0.01 per share	New York Stock Exchange
Huntsman International LLC	None	None

Securities registered pursuant to Section 12(g) of the Exchange Act:

Registrant	Title of each class
Huntsman Corporation	None
Huntsman International LLC	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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

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

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

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

On June 30, 2008, the last business day of the registrants' most recently completed second fiscal quarter, the aggregate market value of voting and non-voting common equity held by nonaffiliates was as follows:

Registrant	**Common Equity**		**Market Value Held by Nonaffiliates**
Huntsman Corporation	Common Stock	$	1,857,576,135(1)
Huntsman International LLC	Units of Membership Interest	$	0(2)

(1) Based on the closing price of $11.40 per share of common stock as quoted on the New York Stock Exchange.

(2) All units of membership interest are held by Huntsman Corporation, an affiliate.

On February 13, 2009, the number of shares outstanding of each of the registrant's classes of common equity were as follows:

Registrant	**Common Equity**	**Outstanding**
Huntsman Corporation	Common Stock	234,430,334
Huntsman International LLC	Units of Membership Interest	2,728

This Annual Report on Form 10-K presents information for two registrants: Huntsman Corporation and Huntsman International LLC. Huntsman International LLC is a wholly owned subsidiary of Huntsman Corporation and is the principal operating company of Huntsman Corporation. The information reflected in this Annual Report on Form 10-K is equally applicable to both Huntsman Corporation and Huntsman International LLC, except where otherwise indicated.

Huntsman International LLC meets the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K and, to the extent applicable, is therefore filing this form with a reduced disclosure format.

Documents Incorporated by Reference

Part III: Proxy Statement for the 2009 Annual Meeting of Stockholders or an amendment to this report to be filed within 120 days of Huntsman Corporation's fiscal year ended December 31, 2008.

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

2008 ANNUAL REPORT ON FORM 10-K

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HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

2008 ANNUAL REPORT ON FORM 10-K

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

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

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this report. Any forward-looking statements should be considered in light of the risks set forth in "Part I. Item 1A. Risk Factors" and elsewhere in this report.

This report 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. 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, but there can be no assurance as to the accuracy and completeness of such information. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, 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.

For convenience in this report, the terms "Company," "our," "us," or "we" may be used to refer to Huntsman Corporation and, unless the context otherwise requires, its subsidiaries and predecessors. Any references to our "Company," "we," "us" or "our" as of a date prior to October 19, 2004 (the date of our formation) are to Huntsman Holdings, LLC and its subsidiaries (including their respective predecessors). In this report, "Huntsman International" refers to Huntsman International LLC (our 100% owned subsidiary) and, unless the context otherwise requires, its subsidiaries; "HPS" refers to Huntsman Polyurethanes Shanghai Ltd. (our consolidated splitting joint venture with Shanghai Chlor-Alkali Chemical Company, Ltd); "SLIC" refers to Shanghai Liengheng Isocyanate Investment BV (our unconsolidated manufacturing joint venture with BASF AG and three Chinese chemical companies); "HMP Equity Trust" refers to HMP Equity Trust (the holder of approximately 20% of our common stock); and "Hexion" refers to Hexion Specialty Chemicals, Inc., an entity owned by an affiliate of Apollo Management, L.P. ("Apollo").

In this report, we may use, without definition, the common names of competitors or other industry participants. We may also use the common names or abbreviations for certain chemicals or products. Many of these terms are defined in the Glossary of Chemical Terms found at the conclusion of "Part I, Item 1. Business" below.

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PART I

ITEM 1. BUSINESS

GENERAL

Our Company, a Delaware corporation, was formed in 2004 to hold the Huntsman businesses. Jon M. Huntsman founded the predecessor to our Company in the early 1970s as a small packaging company. Since then, we have grown through a series of significant acquisitions and now own a global portfolio of businesses. In 2005, we completed an initial public stock offering.

In 2006 and 2007, we completed a series of transactions pursuant to which we have disposed of our former commodity chemicals businesses:

- On November 5, 2007, we completed the sale of our U.S. base chemicals business to Flint Hills Resources, a wholly owned subsidiary of Koch, (the "U.S. Base Chemicals Disposition"), and, on August 1, 2007, we closed on the sale of our North American polymers business assets to Flint Hills Resources (the "North American Polymers Disposition" and together with the U.S. Base Chemicals Disposition, the "U.S. Petrochemicals Disposition"). For more information, see "Note 3. Discontinued Operations" to our consolidated financial statements included elsewhere in this report.

- On December 29, 2006, we sold all of the outstanding equity interests of Huntsman Petrochemicals (UK) Limited to SABIC (the "U.K. Petrochemicals Disposition"). For more information, see "Note 3. Discontinued Operations European Base Chemicals and Polymers Business" to our consolidated financial statements included elsewhere in this report.

We operate all of our businesses through Huntsman International, our 100% owned subsidiary. Huntsman International is a Delaware limited liability company and was formed in 1999. Other than the $250 million 7% convertible senior notes discussed in " Recent Developments Sale of Notes in Connection with Settlement Agreement" below, substantially all of our debt obligations are obligations of Huntsman International and/or its subsidiaries.

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

TERMINATION OF MERGER AGREEMENT AND SETTLEMENT OF RELATED LITIGATION

On July 12, 2007, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Hexion pursuant to which Hexion agreed to acquire all of our outstanding common stock for $28.00 per share (plus a ticking fee) in cash (the "Merger"). On June 18, 2008, Hexion, Apollo and certain of their affiliates filed an action for declaratory judgment against us in Delaware Chancery Court (the "Delaware Litigation"). On June 23, 2008, we sued Apollo and certain of its affiliates in the District Court of Montgomery County, Texas (the "Texas Apollo Litigation") alleging tortious interference with our previously executed merger agreement with Basell (the "Basell Merger Agreement"). On July 2, 2008, we countersued Hexion and Apollo in the Delaware Litigation seeking specific performance of the Merger Agreement and, alternatively, damages.

Following a six-day trial in the Delaware Chancery Court, Vice Chancellor Stephen P. Lamb issued an Opinion and an Order and Final Partial Judgment, ruling that, among other things, we had not suffered a material adverse effect in our business and that Hexion knowingly and intentionally breached numerous of its covenants under the Merger Agreement (as a result of which Hexion's liability for damages for failing to consummate the Merger would not be limited to the $325 million termination fee (the "Termination Fee") as provided in the Merger Agreement). Vice Chancellor Lamb ordered Hexion to specifically perform its covenants under the Merger Agreement, including its covenants to (i) use reasonable best efforts to consummate the Merger and financing provided under the

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commitment letter provided to Hexion (the "Commitment Letter") by affiliates of Credit Suisse and Deutsche Bank A.G. (the "Lenders"), (ii) refrain from taking any further action that could reasonably be expected to materially impair, delay or prevent consummation of financing, and (iii) take all actions necessary to obtain antitrust approval for the Merger by October 2, 2008. A copy of Vice Chancellor Lamb's opinion and order are attached to our current report on Form 8-K filed on September 30, 2008.

On September 30, 2008, we filed suit in the 9th Judicial District Court in Montgomery County, Texas against the Lenders alleging, among other things, that the Lenders had conspired with Apollo to tortiously interfere with the Basell Merger Agreement (the "Texas Bank Litigation").

As a result of the Delaware Litigation, Hexion and our Company agreed to schedule the closing of the Merger Agreement for October 28, 2008. The Commitment Letter required that the Lenders be provided, at closing, with either (i) a solvency opinion of a reputable valuation firm, (ii) a solvency certificate signed by the chief financial officer of Hexion or (iii) a solvency certificate signed by our chief financial officer. This closing condition could be satisfied if any one of such opinions/certificates was delivered and was in a form customary for transactions involving portfolio companies of Apollo. On September 12, 2008, we announced that we had engaged a reputable valuation firm, American Appraisal Associates, Inc. ("American Appraisal"), to provide an opinion that the combined Hexion/Huntsman entity was solvent based on traditional solvency tests. On October 23, 2008, five days prior to the anticipated closing, American Appraisal provided us with a solvency opinion that the combined entity was solvent. On October 28, 2008, American Appraisal issued an additional opinion that the combined entity was solvent, and J. Kimo Esplin executed a certificate in his capacity as our chief financial officer that the combined entity was solvent.

Notwithstanding the opinions and certificate, very late on the evening of October 27, 2008, the Lenders sent a letter to Hexion stating that they did not believe that the solvency opinion and certificate proposed to be provided met the condition of the Commitment Letter and effectively said that, as a result, the Lenders would not fund the proposed closing of the Merger scheduled for October 28, 2008. Hexion sent the Lenders a reply letter disputing the Lenders' position and noting that both the American Appraisal opinion and the certificate of our chief financial officer were in forms customary for transactions involving Apollo portfolio companies. Because the Lenders continued to refuse to fund, Hexion brought suit against the Lenders in the Supreme Court of the State of New York, New York County on October 29, 2008 seeking specific performance of the Lenders' commitment under the Commitment Letter (the "New York Bank Litigation"). Hexion also sought an order temporarily restraining the Lenders from terminating the Commitment Letter. On October 31, 2008, the Court refused to grant Hexion a preliminary injunction preventing termination of the Commitment Letter. The Lenders have taken the position that the Commitment Letter expired by its terms on November 2, 2008.

On December 13, 2008, we sent notice to Hexion and Apollo that, pursuant to the terms of the Merger Agreement, we had terminated the Merger Agreement. Following the termination of the Merger Agreement, on December 14, 2008, we, together with certain of our affiliates, including Jon M. Huntsman and Peter R. Huntsman, entered into a Settlement Agreement and Release (the "Settlement Agreement") with Hexion, Hexion's chief executive officer Craig O. Morrison, and Apollo and certain of its affiliates.

Under the Settlement Agreement, upon full and final payment of all amounts due to us as described below, the parties agreed to take all necessary and appropriate action to obtain the dismissal with prejudice of (i) the Delaware Litigation, (ii) the Texas Apollo Litigation and (iii) Apollo and Hexion's lawsuit against us in New York. In addition, we agreed to promptly move to sever and dismiss Apollo from the Texas Bank Litigation and Hexion agreed to seek leave to withdraw its claims in the New York Bank Litigation. We also agreed to cooperate with Hexion and Apollo in a stockholder

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action brought against them in New York by certain of our stockholders, and Hexion and Apollo have agreed to cooperate with us in the Texas Bank Litigation, including by causing certain individuals to testify at trial if we so request. The parties also agreed to release each other from all claims and actions they have or may have against each other, other than claims arising out of ordinary course business commercial dealings and certain other specified matters.

Pursuant to the Settlement Agreement, Hexion and certain Apollo affiliates have paid us an aggregate of $1 billion. Of the $1 billion, Apollo affiliates paid us $425 million in cash and purchased $250 million of our 7% convertible senior notes (the "Convertible Notes") in that principal amount (as described below). In addition, Hexion paid us the $325 million Termination Fee as required under the Merger Agreement. Apollo and certain of its affiliates and Hexion and certain of its affiliates are jointly and severally liable for the payment of the aggregate $1 billion. In the event any payment by or on behalf of Hexion or any of its affiliates is rescinded or required by any court to be returned for any reason having to do with Hexion and its affiliates, the joint and several obligations of Apollo, Hexion and certain of their respective affiliates will continue in full force and effect.

Also pursuant to the Settlement Agreement, we agreed to indemnify and hold harmless Hexion, Apollo and certain of their respective affiliates, officers, directors, managers, members, employees, agents and other representatives (the "Indemnified Parties") from any claim for indemnification or contribution or any other claim asserted against the Indemnified Parties by the Lenders or their affiliates that in any way arises out of any claims made by us and our affiliates against the Lenders, including claims for contribution asserted by the Lenders against Apollo and its affiliates in the Texas Bank Litigation. Our indemnification obligation does not cover legal fees and expenses incurred by the Lenders or the attorneys' fees and expenses of the Indemnified Parties in defending the Lenders' claims. The aggregate amount we must pay pursuant to indemnification will not exceed the amount of our recovery collected, if any, in the Texas Bank Litigation net of attorney fees, costs and expenses related to the Texas Bank Litigation.

In connection with the Settlement Agreement, on December 14, 2008, we, together with certain of our affiliates, entered into a Letter Agreement (the "Letter Agreement") with Hexion and certain of its affiliates and Apollo and certain of its affiliates, pursuant to which we agreed to pay Apollo and certain of its affiliates an amount of cash equal to 20% of the value of cash and non-cash consideration that is in excess of $500 million that we may obtain or receive in settlement in connection with any claims we made against the Lenders arising from or relating to the Merger Agreement, the transactions contemplated thereby and related matters, including the Texas Bank Litigation, after we first recover our attorneys' fees, costs and expenses in making the claim. In no circumstance will the aggregate amount of payments owed by us to the Apollo parties under the Letter Agreement exceed $425 million. Moreover, in the event trial commences in the Texas Bank Litigation, any interest on the part of the Apollo parties will terminate immediately and we will not owe any portion of any subsequent recovery to the Apollo parties.

All of the aggregate $1 billion in payments due under the Settlement Agreement were paid to us before December 30, 2008. As a result, the Delaware Litigation, the Texas Apollo Litigation, and Apollo and Hexion's lawsuit against us in New York have been dismissed. Hexion has withdrawn its claims against the Lenders in the New York Bank Litigation. We used $423 million of the $1 billion in proceeds to pay down our Revolving Facility. We intend to use the remaining amount, net of fees and expenses related to the Merger, for general liquidity purposes and possible additional reductions of our indebtedness.

The Texas Bank Litigation remains ongoing, and a court ordered mediation is scheduled to begin May 11, 2009, followed by a trial which is currently set for June 8, 2009. For more information, see "Recent Developments Texas Bank Litigation" below.

RECENT DEVELOPMENTS

SALE OF CONVERTIBLE NOTES IN CONNECTION WITH SETTLEMENT AGREEMENT

Pursuant to the Settlement Agreement, on December 23, 2008, we issued $250 million of our 7% Convertible Notes to Apollo affiliates under a Note Purchase Agreement (the "Note Purchase Agreement"). We recorded these Convertible Notes at a fair value of $235 million. The Convertible Notes are convertible at any time, at the holder's option, at an initial conversion rate of 127.275 shares of our common stock per $1,000 principal amount of Convertible Notes (which is equal to an initial conversion price of $7.857 per share), subject to specified anti-dilution adjustments. The Convertible Notes bear interest at the rate of 7% per year payable semi-annually on July 1 and January 1 of each year, beginning on July 1, 2009. Interest is payable either in cash or, at our option, in shares of our common stock having a market value at that time equal to the interest payment. The Convertible Notes are our senior unsecured obligations and are not guaranteed by any of our subsidiaries, including Huntsman International.

The Convertible Notes will mature on December 23, 2018. At maturity, we may, at our option, pay the principal amount of the Convertible Notes in shares of our common stock having a market value at that time equal to the principal amount of the Convertible Notes, plus an amount equal to the underwriting spread of a nationally-recognized underwriter chosen by us that would be paid by a seller of the shares at such time.

We may redeem the Convertible Notes in whole, for cash, at the principal amount of the Convertible Notes plus accrued and unpaid interest, at any time on or after December 23, 2011 if the closing price of our common stock, for at least 20 consecutive trading days prior to the notice of redemption, exceeds 135% of the conversion price in effect at that time.

Upon the occurrence of certain change of control events, the holders of the Convertible Notes may require us to redeem all or any portion of the holders' Convertible Notes at the principal amount plus accrued and unpaid interest.

In connection with the issuance of the Convertible Notes, we entered into a Registration Rights Agreement, dated as of December 23, 2008 (the "Registration Rights Agreement"), with Apollo and certain of its affiliates. Pursuant to the Registration Rights Agreement, we have agreed to use our reasonable best efforts to register the resale of our common stock issuable upon conversion of the Convertible Notes (and common stock payable as interest or principal on the Convertible Notes) under the Securities Act of 1933, as amended.

VOTING AND STANDSTILL AGREEMENT

In addition to the Note Purchase Agreement and the Registration Rights Agreement, we entered into a Voting and Standstill Agreement, dated as of December 23, 2008 (the "Voting and Standstill Agreement") with Apollo and certain other stockholders related to Apollo that prohibits such persons from owning any of our common stock, other than common stock paid to such persons pursuant to the Convertible Notes ("Underlying Securities") or shares of our common stock beneficially owned by such persons as of December 23, 2008. Without our consent, persons subject to the Voting and Standstill Agreement may not transfer the Convertible Notes or the Underlying Securities, other than (i) transfers involving Underlying Securities paid as interest, (ii) certain transfers to certain affiliates and (iii) certain bona fide pledges related to borrowings from financial institutions. The Voting and Standstill Agreement further restricts Apollo and certain related stockholders from taking certain actions, including engaging in or participating in any proxy solicitation relating to the election of our Board of Directors or our Board's publicly disclosed recommendation on certain matters. The shares of our common stock held by such persons must be voted, at our election, either (i) in the manner recommended by our Board or (ii) in the same proportion as our other stockholders. The Voting and

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Standstill Agreement terminates upon the later to occur of (i) December 31, 2010 or (ii) the date on which none of Apollo and its related stockholders beneficially or of record own Convertible Notes or any Underlying Securities representing 3% or more of our then-outstanding common stock.

Copies of the Note Purchase Agreement, the Registration Rights Agreement and the Voting and Standstill Agreement are filed as Exhibit 10.1, Exhibit 10.2 and Exhibit 10.3, respectively, to our current report on Form 8-K filed on December 23, 2008.

TEXAS BANK LITIGATION

As noted above, on September 30, 2008, we filed suit in the 9th Judicial District Court in Montgomery County, Texas against the Lenders alleging, among other things, that the Lenders had conspired with Apollo to tortiously interfere with the Basell Merger Agreement. Our petition against the Lenders includes claims of common law fraud, civil conspiracy, tortious interference with contract and unjust enrichment. We are seeking to recover damages measured by the benefit of the bargain or the amount by which the Lenders were unjustly enriched as a result of the injuries we believe they inflicted on us. Discovery, including depositions, has commenced. A court ordered mediation is scheduled to begin May 11, 2009. Trial is currently set for June 8, 2009. Also pending before the same court is a motion for summary judgment by certain entities and persons affiliated with Apollo, which seeks entry of an order barring contribution claims that have been asserted against them by the Lenders. That motion is not currently set for hearing. We intend to prosecute our claims vigorously.

OVERVIEW

We are a global manufacturer of differentiated organic chemical products and of inorganic chemical products. As of December 31, 2008, we operated in four segments: Polyurethanes, Materials and Effects, Performance Products and Pigments. In a series of transactions completed in 2006 and 2007, we sold substantially all of our Polymers and Base Chemicals operations. We report the results from these discontinued operations in our Polymers and Base Chemicals segments. For more information, see "Note 3. Discontinued Operations" to our consolidated financial statements included elsewhere in this report.

Our products comprise a broad range of chemicals and formulations, which we market globally to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, durable and non-durable consumer products, electronics, medical, packaging, paints and coatings, power generation, refining, synthetic fiber, textile chemicals and dye industries. We are a leading global producer in many of our key product lines, including MDI, amines, surfactants, epoxy-based polymer formulations, textile chemicals, dyes, maleic anhydride and titanium dioxide. Our administrative, research and development and manufacturing operations are primarily conducted at the facilities listed in "Item 2. Properties" below, which are located in 25 countries. As of December 31, 2008, we employed approximately 12,600 associates worldwide. We had revenues for the years ended December 31, 2008, 2007 and 2006 of $10,215 million, $9,651 million and $8,731 million, respectively.

Our Products

We produce differentiated organic chemical and inorganic chemical products. Our Polyurethanes, Materials and Effects and Performance Products segments produce differentiated organic chemical products and our Pigments segment produces inorganic chemical products. Our former Polymers and Base Chemicals operations, which have been sold, produced commodity organic chemical products. For more information, see "Note 3. Discontinued Operations" to our consolidated financial statements included elsewhere in this report.

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Growth in our differentiated products has been driven by the substitution of our products for other materials and by the level of global economic activity. Accordingly, the profitability of our differentiated products has been somewhat less influenced by the cyclicality that typically impacts the petrochemical industry. Our Pigments business, while cyclical, is influenced largely by seasonal demand patterns in the coatings industry.

(1) Percentage allocations in this chart do not give effect to Corporate and Other unallocated items, eliminations and EBITDA from discontinued operations. For a detailed disclosure of our revenues, total assets and EBITDA by segment, see "Note 30. Operating Segment Information" to our consolidated financial statements included elsewhere in this report. For a discussion of EBITDA by segment and a reconciliation of EBITDA to net income and cash provided by operating activities, see "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations."

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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, TPU, aniline and MTBE	Refrigeration and appliance insulation, construction products, adhesives, automotive, footwear, furniture, cushioning, specialized engineering applications and fuel additives	BMW, Electrolux, Firestone, GE, Haier, Lear, Louisiana Pacific, Weyerhauser
Materials and Effects	Epoxy resin compounds and formulations; cross-linking, matting and curing agents; epoxy, acrylic and polyurethane-based adhesives, tooling resin formulations, textile chemicals and dyes and APAO	Adhesives, aerospace, electrical power transmission, consumer electronics, civil engineering, wind power generation, automotive, apparel, home and technical textiles	ABB, Akzo, BASF, Boeing, Bosch, Cytec, Hexcel, Rohm & Haas, Russell, Sara Lee, Sherwin Williams, Wellspun, Hanesbrands, Milliken
Performance Products	Amines, surfactants, LAB, maleic anhydride, other performance chemicals, EG, olefins and technology licenses	Detergents, personal care products, agrochemicals, lubricant and fuel additives, adhesives, paints and coatings, construction, marine and automotive products and PET fibers and resins	Chevron, Henkel, The Sun Products Corporation, Monsanto, Procter & Gamble, Unilever, Lubrizol, Reichhold, Dow, L'Oreal, Afton
Pigments	Titanium dioxide	Paints and coatings, plastics, paper, printing inks, fibers and ceramics	Akzo, Sigma Kalon, Clariant, Jotun, PolyOne
Polymers(1)	LDPE and LLDPE, polypropylene, EPS and styrene	Flexible and rigid packaging, adhesives and automotive, medical and construction products	Ashland, Berry, Kimberly Clark, Pliant, Polymer Group, PolyOne, Sealed Air
Base Chemicals(1)	Olefins and cyclohexane	Packaging film, polyester and nylon fibers, PVC and polymer resins	Ineos, Dow, DuPont, Invista, Nova, Shell, Solutia

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

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Polyurethanes

General

We are a leading global manufacturer and marketer of a broad range of polyurethane chemicals, including MDI products, PO, polyols, PG 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. We operate five primary Polyurethanes manufacturing facilities in the U.S., Europe and China. We also operate 12 Polyurethanes formulation facilities, which are located in close proximity to our customers worldwide.

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.

We are a leading North American producer 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 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" below and "Part I. Item 1A. Risk Factors" for a discussion of legal and regulatory developments that have resulted in the curtailment and potential elimination of MTBE in gasoline in the U.S. and elsewhere. Also see, " Manufacturing and Operations" below and "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of material changes concerning sales of MTBE. We sold our U.S. butadiene and MTBE business operated in our Base Chemicals segment in June 2006; however, the PO/MTBE operations in our Polyurethanes segment were not included in this transaction.

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 and finishing facilities near Shanghai, China. Production at our MDI finishing plant near Shanghai, China operated by HPS, our consolidated subsidiary, was commissioned on June 30, 2006. Production at the MNB, aniline and crude MDI plants operated by SLIC, our unconsolidated joint venture, commenced on September 30, 2006. These world-scale facilities strengthen our ability to service our customers in the critical Chinese market and will support the significant demand growth that we believe this region will continue to experience.

Products and Markets

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. Polyols, including polyether and polyester polyols, are used in conjunction with MDI and TDI in rigid foam, flexible foam and other

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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 develop and produce a breadth and variety of polyurethane products.

MDI. 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. We believe 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.

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 have become an 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. While there are also some regional producers in Asia and Europe, 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.

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.

Polyols. Polyols are combined with MDI, TDI and other isocyanates to create a broad spectrum of polyurethane products. 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. 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. Demand for PO depends largely on overall economic demand, especially that of consumer durables. The following chart illustrates the primary end markets and applications for PO.

MTBE. MTBE is an oxygenate that is blended with gasoline to reduce harmful vehicle emissions and to enhance the octane rating of gasoline. The use of MTBE is controversial, and it has been effectively eliminated in the U.S. market. See " Environmental, Health and Safety Matters MTBE Developments" below and "Part I. Item 1A. Risk Factors." We continue to sell MTBE for use as a gasoline additive, substantially all of which is sold for use outside the U.S. See " Manufacturing and Operations" below and "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Sales and Marketing

We manage a global work force 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 customer's 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 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.

Manufacturing and Operations

Our MDI production facilities are located in Geismar, Louisiana, Rozenburg, Netherlands and, through our joint ventures, Shanghai, China. These facilities receive aniline, which is a primary material used in the production of MDI, from our facilities located in Geismar, Louisiana; Wilton, U.K.; and Shanghai, China. We believe that this relative scale and product integration of our large facilities 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.

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

	MDI(1)	Polyols	TPU	Aniline	Nitrobenzene	PO	PG	MTBE (millions of gallons)
				(millions of pounds)				
Geismar, Louisiana	970	160		717(2)	935(2)			
Port Neches, Texas						525	145	260
Ringwood, Illinois			18					
Rozenburg, Netherlands	880	130						
Wilton, U.K.				715	953			
Osnabrück, Germany		26	57					
Total	1,850	316	75	1,432	1,888	525	145	260

(1) In addition to the production referenced, we also are entitled to 50% of the MDI output (265 million pounds) from SLIC, our unconsolidated Chinese joint venture.

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

At both our Geismar and Rozenburg facilities we utilize sophisticated proprietary technology to produce our MDI. This technology, which is also used in our Chinese joint venture, contributes to our position as a low cost MDI producer. 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; Samuprakam, Thailand; Osnabrück, Germany and Dammam, Saudi Arabia.

Joint Ventures

Rubicon Joint Venture. We and Chemtura 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 Chemtura 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 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. Rubicon LLC is consolidated in our financial statements..

Chinese MDI Joint Ventures. In January 2003, we entered into two related joint venture agreements to build MDI production facilities near Shanghai, China. SLIC, our manufacturing joint venture with BASF AG and three Chinese chemical companies, built three plants that manufacture MNB, aniline and crude MDI. We effectively own 35% of SLIC and it is our unconsolidated affiliate. HPS, our splitting joint venture with Shanghai Chlor-Alkali Chemical Company, Ltd, has constructed a plant to manufacture pure MDI, polymeric MDI and MDI variants. We own 70% of HPS and it is our consolidated affiliate. These projects have been funded by a combination of equity invested by the joint venture partners and borrowed funds. SLIC and HPS commenced operations during 2006. The total production capacity of the SLIC facilities is 530 million pounds per year of MDI and the production capacity of the HPS facility is 270 million pounds per year of pure MDI, polymeric MDI and MDI variants.

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 purchase benzene from third parties to manufacture nitrobenzene and aniline, almost all of which we then use to produce MDI.

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 55%, 30%, 14% and 1%, respectively, of total raw material costs in 2008. 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.

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Competition

Our major competition in the polyurethane chemicals market includes BASF, Bayer, Dow and Basell. While these competitors and others 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.

The market in which our Polyurethanes segment operates is highly competitive. Among our competitors in this market 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 in this market 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 in this market develops proprietary technology that enables them to produce products at a significantly lower cost, our technology could be rendered uneconomical or obsolete.

Materials and Effects

General

Our Materials and Effects segment is a leading global manufacturer and marketer of technologically advanced epoxy, acrylic and polyurethane-based polymer products and textile solutions, including dye and chemical 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, ceramics and natural fibers, 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. Our textile solutions enhance the color of finished textiles and improve such performance characteristics as wrinkle resistance and the ability to repel water and stains. Our Materials and Effects segment is characterized by the breadth of our product offering, our expertise in complex chemistry, our long-standing relationships with our customers, our ability to develop and adapt our technology and our applications expertise for new markets and new applications.

We operate synthesis, formulating and production 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
Advanced Materials	civil engineering, shipbuilding and marine maintenance, consumer appliances, food and beverage packaging, industrial appliances, consumer/do it yourself ("DIY"), aerospace, DVD, LNG transport, electrical power transmission and distribution, printed circuit boards, consumer and industrial electronics, aerospace, wind power generation, automotive, recreational sports equipment, medical appliances, design studios and prototype manufacturers

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Market Groups	End Markets
Textile Effects	consumer fashion apparel, sportswear, career and uniform apparel, military, automotive, home textiles and furnishings, carpet and other functional textiles

In October 2006 and December 2008, we announced restructuring programs for our textile effects operations. These restructuring programs are necessary to allow our Materials and Effects segment to adapt to the dynamic business shifts that have occurred in the textile market. Through December 31, 2008, we have spent approximately $50 million to significantly expand resources and capacity in Asia, while refocusing and consolidating resources in Europe and North America and to transition from a regional to a global, market-focused organization. Other elements of our plan include simplifying global distribution networks, enhancing research and development activities and continuing investments in environmental, health and safety projects to ensure that all of our acquired manufacturing units are operating in accordance with our standards. We expect to spend approximately $60 million over approximately the next year to complete these projects. We have targeted approximately $100 million in annual savings when all phases of the restructuring are fully completed.

Products and Markets

Advanced Materials product range spans from basic liquid and solid resins, to specialty components like curing agents, matting agents, accelerators, cross-linkers, reactive diluents, thermoplastic polyamides and additives. In addition to these components, which we typically sell to formulators in various industries, we also produce and sell ready to use formulated polymer systems.

Base Resins and Specialty Component Markets. Our products are used for the protection of steel and concrete substrates, such as flooring, metal furniture and appliances, buildings, linings for storage tanks and food and beverage cans, and the primer coat of automobile bodies and ships. 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.

Base resins and specialty components are also used for composite applications. 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 and other advanced chemicals, additives and formulated polymer systems. The four key target markets for our structural composites are aerospace, windmill blades for wind power generation, other industrial and automotive applications, and recreational products (mainly sports equipment such as skis). Structural composites continue to substitute for traditional materials, such as metals and wood, in a wide variety of applications due to their light weight, strength and durability.

Formulated Systems. The 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® branded products are known as 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. 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.

Industry Specific. We sell our adhesive products on a global basis into diverse, industry-specific markets, which include the aerospace, wind turbine, DVD, LNG transport, filterbonding, solar cell and other industrial applications markets. Our target markets are chosen because we believe it is worthwhile to utilize our direct sales force and applications experts to tailor products and services to suit the needs and performance specifications of the specific market segments.

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 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. 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. Soldermasks are our most important product line in printed circuit board technologies, particularly in Europe. Sales are made mainly under the Probimer®, Probimage®, and Probelec® trademarks. Our Probimer® trademark is a widely recognized brand name for soldermasks.

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. 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. 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. We sell our stereolithography products to customers in the aerospace, appliance, automotive, consumer, electronics and medical markets.

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Textile Effects. Textiles generally involve a complex matrix of fibers, effects and functionality, and the resulting products range from fashion apparel to bulletproof vests, home linens to air and water filters, and upholstery to automotive interiors. Our broad range of dyestuffs and chemicals enhance both the aesthetic appearance of these products and the functionality needed to ensure that they perform in their end-use markets. Since the requirements for these markets vary dramatically, our business strategy focuses on the two major markets apparel and technical textiles. We work to provide the right balance of products and service to meet the technical challenges in each of these markets.

The apparel market, which also includes our home interiors products, focuses on products that provide an aesthetic effect and/or improve the processing efficiency within the textile mill. We offer a complete range of colors for cotton, polyester and nylon that cover the range of shades needed for sportswear, intimate apparel, towels, sheeting and casual wear. Our dyes have been developed to ensure that they offer the highest levels of wash fastness currently available in the market. Optical brighteners and other pretreatment products provide "bright white" effects for apparel, towels and sheeting. Pretreatment and dyeing auxiliaries ensure that these fabrics are processed efficiently and effectively cleaning the fabrics with fewer chemicals, less energy and less water and thereby minimizing the environmental footprint and reducing the processing costs. Silicone softeners may be used to enhance the feel of products.

Technical textiles include automotive textiles, carpet, military fabrics, mattress ticking and nonwoven and other technical fabrics. Though the product groups may differ in their end-uses, the articles must provide a high-level of functionality and performance in their respective markets. High-lightfast dyes and UV absorbers are used in automotive interiors and outdoor furnishings to provide colors that don't fade when exposed to sunlight and heat. Powerful stain repellent and release technology imparts durable protection for upholstery, military and medical fabrics, without affecting the color, breathability or feel of the fabric. Specialized dyes and prints create unique camouflage patterns for military uniforms, backpacks and tarps that won't fade through wash and wear or during exposure to the elements.

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 for targeted, technically-oriented distribution to mass general distribution. Our direct sales force focuses on engineering solutions decision-makers at major customers who purchase significant amounts of product 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 sales activities for our market groups through separate dedicated regional sales teams 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 these 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.

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.

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For our textile effects products, we focus on providing effect competence and process competence to our customers. Effect competence delivering value-added effects to our customer's products enables us to capitalize on new and innovative technologies and to assist our customers in their efforts to differentiate themselves from competitors. Process competence applying know-how and expertise to improve customers' processes allows us to utilize our technical service to reduce cost and enhance efficiency.

Manufacturing and Operations

We are a global business serving customers in three principal geographic regions: EAME; the Americas; and Asia. To service our customers efficiently, we maintain 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 following table summarizes the plants that we operate:

Location	Description of Facility
Taboão da Serra, Brazil	Formulating Facility
Panyu, China(1)(3)	Production Facility
Sadat City, Egypt	Formulating Facility
Bad Saeckingen, Germany(1)	Formulating Facility
Bergkamen, Germany	Synthesis Facility
Langweid am Leich, Germany(1)	Formulating Facility
Chennai, India(2)	Resins and Synthesis Facility
Atotonilquillo, Mexico	Synthesis Facility
Pamplona, Spain	Resins and Synthesis Facility
Basel, Switzerland(1)	Synthesis Facility and Technology Center
Monthey, Switzerland	Resins and Synthesis Facility
Schweizerhalle, Switzerland(1)	Formulating Facility
Samutsakorn (Mahachai), Thailand(1)	Synthesis Facility
Istanbul, Turkey(1)	Formulating Facility
Duxford, U.K.	Formulating Facility
McIntosh, Alabama, U.S.	Resins and Synthesis Facility
Los Angeles, California, U.S.	Formulating Facility
East Lansing, Michigan, U.S.	Formulating Facility
Charlotte, North Carolina, U. S.(1)	Formulating Facility

(1) Leased land and/or building.

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

(3) 95%-owned manufacturing joint venture with Guangdong Panyu Shilou Town Economic Development Co. Ltd.

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 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. The manufacture of textile effects products requires a wide selection of raw materials (approximately 3,000 different chemicals), including amines, fluorochemicals and sulfones. No one raw material represents greater than 2% of our textile effects raw material expenditures. Raw material costs constitute a sizeable percentage of sales for certain applications. 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 fourth 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.

Competition

The market in which our Materials and Effects segment operates is highly competitive. Among our competitors in this market are some of the world's largest chemical companies and major integrated 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 in this market 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 in this market develops proprietary technology that enables them to produce products at a significantly lower cost, our technology could be rendered uneconomical or obsolete.

Advanced Materials. 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 Hexion. Other participants in this market include 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.

Competition in specialty components is primarily driven by product performance, service and customer certification. We believe that the competitive strengths of our coating systems product lines 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, Hexion, Cognis, Cray Valley and Evonics.

Competition in structural composites applications varies but is primarily driven by technology, 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

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sales volumes compared to those of the aerospace market. 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 markets include Hexion, DIC, Dow, Mitsui and Sumitomo. In the aerospace market, we compete principally with Mitsui and Sumitomo. Our competitors in the automotive, industrial and recreational markets include Dow and Hexion. Finally, our competitors in the laminates market include all of these companies as well as NanYa.

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 and 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.

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, Hexion, Schenectady, Wuxi, Dexter-Hysol, Hitachi Chemical, Nagase Chemtex and Toshiba Chemical.

Competition in the printed circuit board materials markets 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 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 products include Coates, Goo, Peters, Taiyo Ink and Tamura.

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.

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Textile Effects. We are the leading global market share provider for textile chemicals and dyes. Competition within the textile chemicals and dyes markets is generally fragmented with few competitors who offer complete solutions for both markets. Our major competitors are Dystar, Clariant, BASF, Cognis and Lanxess. We believe that our competitive strengths include our product offering, which is characterized by its broad range; high quality; significant integration between products and service; reliable technical expertise; long-standing relationships with customers; and strong business infrastructure in Asia. We believe that we have more customer service capacity and account management capacity than any of our competitors worldwide.

Performance Products

General

Our Performance Products segment is organized around three market 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 market 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, technology substitution 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 10% in the last ten years due to strong demand in a number of industrial applications, such as epoxy curing agents, oil drilling, agrochemicals, 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 detergency, consumer products and industrial applications. We also produce 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 are the leading global licensor of maleic anhydride manufacturing technology and are also the largest supplier of butane fixed bed catalyst used in the manufacture of maleic anhydride. Our licensing group also licenses technology on behalf of other Huntsman businesses. We operate 15 Performance Products manufacturing facilities in North America, Europe, Asia and Australia.

We have the annual capacity to produce approximately 1.2 billion pounds of more than 250 amines and other performance chemicals. We believe we are the largest global producer of polyetheramines, propylene carbonates, ethylene carbonates, DGA® agent and morpholine, the second-largest global producer of ethyleneamines and the third-largest North American producer of ethanolamines. We also produce substituted propylamines. Our products are manufactured at our Port Neches, Conroe and Freeport, Texas facilities and at our facilities in Llanelli, U.K. Petfurdo, Hungary and Jurong Island, Singapore. 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, composites, solvents and catalysts. Our key amines customers include Akzo, Chevron, Cognis, Hercules, Afton, Unilever, Monsanto and PPG.

We have the capacity to produce approximately 2.5 billion pounds of surfactant products annually at our eight facilities located in North America, Europe and Australia. We are a leading global manufacturer of nonionic, anionic, cationic and amphoteric surfactants products and are characterized by our 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 components for powder and liquid laundry detergents and other cleaners. We continue to strengthen and diversify our surfactant product offering into formulated specialty surfactant products, for use in various industrial applications such as leather and textile treatment, foundry and construction, agrochemicals, fuels and lubricants, polymers and coatings. We are growing our global agrochemical surfactant technology and product offerings. Our key surfactants customers include The Sun Products Corp, L'Oreal, Monsanto, Nufarm, Clorox, Henkel, Colgate, Procter & Gamble and Unilever.

We are North America's second-largest producer of LAB, with alkylation capacity of 375 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 also manufacture a higher-molecular-weight alkylate which is used as an additive to lubricants. Our key customers for alkylates include Colgate, Lubrizol, Henkel, Procter & Gamble, Unilever and The Sun Products Corp.

We believe 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. Maleic anhydride is also used in the production of lubricants, food additives and artificial sweeteners. 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 is accounted for using the equity method. This joint venture owns and operates a facility in Moers, Germany with an annual capacity of 137 million pounds. We also license our maleic anhydride technology and 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. Patents have been recently filed for our seventh generation catalyst which should be commercially available in late 2009. 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, Oronite, 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.

Products and Markets

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, epoxy composites, agrochemicals, oilfield chemicals, printing inks, pigment dispersion
Ethyleneamines	lubricant and fuel additives, epoxy hardeners, wet strength resins, chelating agents, fungicides
Morpholine/DGA® agent and Gas Treating	hydrocarbon processing, construction chemicals, synthetic rubber, water treating, electronics applications, gas treatment and agriculture

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Product Group	Applications
Carbonates	lubricant and fuel additives, agriculture, electronics applications, textile treatment, solar panels
Specialty Surfactants	agricultural herbicides, construction, paper de-inking, lubricants

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 does not generally fluctuate with movements in underlying raw materials. On June 29, 2005, we signed a memorandum of understanding with the Zamil Group to form a joint venture to build an ethyleneamines manufacturing facility in Jubail Industrial City, Saudi Arabia. This facility is now under construction and we expect it to come on line in early 2010 with annual capacity of 60 million pounds.

Morpholine/DGA® Agent. Morpholine and DGA® agent 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® agent 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, solar panels, LCD screens and the production of lithium batteries. Also, propylene carbonates have recently received approval by the U.S. Environmental Protection Agency 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 our performance intermediates products:

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

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Product Group	End Markets
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.

Demand growth for surfactants is relatively stable and exhibits little cyclicality. The main consumer product applications for surfactants can demand new formulations with improved performance characteristics which 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 raw material price movements.

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 to 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 and higher demand for agriculture products. We believe the ethanolamines market in North America is balanced with industry operating rates currently running about of 90% of stated capacity. During 2007, we expanded the manufacturing capacity of our Port Neches, Texas facility by 70 million pounds per year. Some of our competitors have also announced their intention to debottleneck their facilities to meet the continuing growing demand for ethanolamines.

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, The Sun Products Corp and Unilever. We believe that two-thirds of the LAB global capacity lies in the hands of seven producers, with two or three major players in each of the three regional markets. Although the North American market for LAB is mature, we expect Latin America and other developing countries to grow as detergent demand grows at a faster rate than GDP.

From a competition perspective, compounds derived from alcohol can be used in certain instances as an alternative to LAB in detergent formulations. In the past several years, a significant amount of new alcohol production capacity has come on stream resulting in lower prices for these alcohol-based compounds. Despite this threat to LAB margins, the lack of investment in new LAB capacity and inability to fully substitute LAB in detergent formulations has resulted in a tightened supply position which has bolstered profitability. In addition, we have developed a high molecular weight alkylate for the lubricants market. This has allowed us greater diversity in our portfolio and strengthened our competitive position.

EG. We consume our internally produced EO to produce three types of EG: MEG, DEG and TEG. MEG is consumed primarily in the polyester (fiber and bottle resin) and antifreeze end markets and is also used in a wide variety of industrial applications including synthetic lubricants, plasticizers, solvents and emulsifiers. DEG is consumed internally for the production of Morpholine/DGA® agent and polyols. TEG is used internally for the production of polyols and is sold into the market for dehydration of natural gas. We continue to optimize our EO and EG operations depending on the fundamental market demand for EG.

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

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, BDO and its derivatives, and PBT 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 and catalyst.

Total U.S. demand for maleic anhydride in 2008 was approximately 500 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 for this application can be cyclical. Pricing for maleic anhydride in North America over the past several years has been increasing but has recently declined with the drop in feedstock costs. Generally, changes in price have resulted from changes in industry capacity utilization as opposed to changes in underlying raw material costs; however in the second half of 2008 pricing was more driven by the latter.

We are currently constructing a new 100 million pounds-per-year maleic anhydride facility at our Geismar, Louisiana site. We expect the new facility to come on stream at the end of the first quarter of 2009. On April 1, 2008, we announced that Sasol-Huntsman GmbH KG, our 50/50 maleic anyhydride joint venture located in Moers, Germany, would be expanding its manufacturing capacity by approximately 100 million pounds per year. The new capacity is expected to be available during 2011.

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The joint venture has received committed nonrecourse financing that together with its cash flows from operations will be used to fund the expansion.

Sales and Marketing

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

Our performance specialties markets 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 markets 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 be served cost effectively by our direct sales forces.

Manufacturing and Operations

Our Performance Products segment has the capacity to produce more than seven billion pounds annually of a wide variety of specialty, intermediate and commodity products and formulations at 15 manufacturing locations in North America, Europe, Asia and Australia.

These production capacities are as follows:

	Current capacity			
Product Area	**North America**	**Europe**	**Asia Pacific**	**Total**
	(millions of pounds)			
Performance Specialties				
Amines	634	124(1)	33	791
Specialty surfactants	100	175	70	345
Carbonates	69			69
Performance Intermediates				
Ethylene	400			400
Propylene	300			300
EO	1,000		100	1,100
EG	890		55	945
Surfactants	470	1,675	30	2,175
Ethanolamines	400			400
LAB	375			375
Maleic anhydride	240	137(2)		377

(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 supply arrangement.

(2) Represents total capacity of a facility owned by Sasol-Huntsman GmbH & Co. KG, of which we own a 50% equity 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. Through the major restructuring of our surfactant operations, we have significantly improved the competitiveness of our surfactants business.

Our primary ethylene, propylene, EO, EG and ethanolamines facilities are located in Port Neches, Texas. The Port Neches, Texas facility 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.

Our unconsolidated ethyleneamine joint venture is currently constructing a plant in Jubail, Saudi Arabia. The plant will have approximate capacity of 30,000 MT/yr with production expected in the first quarter of 2010.

Raw Materials

We have the capacity to use approximately 850 million pounds of ethylene each year produced in part at our Port Neches, Texas facility 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. We have the capacity to produce 400 million pounds of ethylene and 300 million pounds of propylene at our Port Neches, Texas facility. All of the ethylene is used in the production of EO and substantially all of the propylene is consumed by the PO unit at Port Neches operated by our Polyurethanes business. We purchase or toll the remainder of our ethylene and propylene requirements from third parties.

In addition to internally produced raw materials, our performance specialties market purchases over 250 compounds in varying quantities, the largest of which includes ethylene dichloride, caustic soda, synthetic alcohols, paraffin, nonyl phenol, ammonia, hydrogen, 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 market, our primary raw materials, in addition to internally produced and third-party sourced EO and ethylene, are synthetic and natural alcohols, paraffin, alpha olefins, 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 new facility in Geismar, Louisiana will receive n-butane via pipeline. Our maleic anhydride catalyst is toll-manufactured by BASF under a long-term contract according to our proprietary methods. These raw materials are available from multiple sources at competitive prices.

Competition

In our performance specialties market, 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, Tosoh, 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, Lyondell, Clariant, 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 market, we compete primarily on the basis of price, customer service and plant location. Our competitors include Lanxess, Flint Hills Resources, Marathon, Polynt and BASF. We are the leading global producer of maleic anhydride catalyst. Competitors in our maleic anhydride catalyst market include Scientific Design and Polynt. In our maleic anhydride technology licensing market, our primary competitor is Scientific Design. We compete primarily on the basis of technological performance and service.

The market in which our Performance Products segment operates is highly competitive. Among our competitors in this market 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 in this market 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 in this market develops proprietary technology that enables them to produce products at a significantly lower cost, our technology could be rendered uneconomical or obsolete.

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. We operate eight chloride-based and sulfate-based titanium dioxide manufacturing facilities located in North America, Europe, Asia and Africa. The global titanium dioxide market is characterized by a small number of large, global producers and a growing compliment of smaller regional producers.

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, BASF, Cabot, Clariant, Jotun, PolyOne and Sigma Kalon. Our pigments business has an aggregate annual nameplate capacity of approximately 600,000 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 improving our competitive position. We expanded our Greatham, U.K. chloride-based facility by 50% to 150,000 tonnes per annum capacity and on January 22, 2009, we announced our intention to cease pigment production at our Grimsby, U.K. sulphate-based facility during the first quarter of 2009. We are also introducing a number of innovative new products to the market and carrying out a number of projects to further improve manufacturing costs at each of our facilities.

Products and Markets

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 reflecting the high exposure to seasonal coatings end use markets. Coating 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 by the five major producers have employed the chloride process technology while those by smaller producers have generally used the sulphate process technology. We currently believe that the chloride process accounts for approximately 60% of global production capacity. 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, regional market preferences typically favor products that are locally available. We believe the chloride and sulfate manufacturing processes compete effectively in the marketplace.

The titanium dioxide industry currently has five major producers and a large number of small regional or local producers. Titanium dioxide supply has historically kept pace with increases in demand as producers increased capacity through low cost incremental debottlenecks and efficiency improvements. During periods of low titanium dioxide demand, the industry experiences high stock levels and consequently reduces production to manage working capital. Pricing in the industry is driven primarily by supply/demand balance. 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.

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 we expect to grow faster than the overall titanium dioxide market over the next several years.

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Manufacturing and Operations

Our pigments business has eight manufacturing sites in seven countries with a total capacity of approximately 600,000 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.	150,000	Chloride
	Calais, France	95,000	Sulfate
	Huelva, Spain	80,000	Sulfate
	Scarlino, Italy	80,000	Sulfate
	Grimsby, U.K.(1)	40,000	Sulfate
North America	Lake Charles, Louisiana(2)	70,000	Chloride
Asia	Teluk Kalung, Malaysia	60,000	Sulfate
Southern Africa	Umbogintwini, South Africa	25,000	Sulfate
Total		600,000	

(1) On January 22, 2009, the Board of Directors approved and we announced our intention to cease pigment production at our Grimsby, U.K. sulphate-based facility during the first quarter of 2009.

(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.

We recently completed the expansion of our Greatham, U.K. facility by 50,000 tonnes. 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 Venture

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. Our investment in Louisiana Pigment Company L.P. is accounted for using the equity method.

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 35% of our variable manufacturing costs.

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The world market for titanium bearing ores is dominated by Rio Tinto and Iluka, which account for approximately 40% of global supply. Both companies produce a range of ores for use in chloride and sulphate processes. We purchase approximately 50% of our ore from these two producers. The choice of producers has increased in recent years with the entry into the market of new producers based in India and Africa. We have broadened our supply base by purchasing increasing amounts of our ores from the new suppliers. Over 80% of our ore purchases are made under agreements with terms of three or more 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, Tronox, Kronos and Cristal, each of which has a global presence and the ability to service all global markets Some of our competitors may be able to produce products more economically than we can. In addition, some of our competitors in this market 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 in this market develops proprietary technology that enables them to produce products at a significantly lower cost, our technology could be rendered uneconomical or obsolete. Moreover, the sulphate-based titanium dioxide technology used by our Pigments business is widely available. Accordingly, barriers to entry, apart from capital availability, may be low 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.

Polymers and Base Chemicals

On February 15, 2007, we entered into an Asset Purchase Agreement pursuant to which Flint Hills Resources, a wholly owned subsidiary of Koch, agreed to acquire our North American base chemicals and polymers business assets for $456 million in cash, plus the value of inventory on the date of closing. The original agreement provided that we would retain other elements of working capital, including accounts receivable, accounts payable and certain accrued liabilities, which would then be liquidated for cash in the ordinary course of business. On June 22, 2007, we entered into the Amended and Restated Agreement with Flint Hills Resources amending certain terms of the original agreement to provide for, among other things, the closing of the North American Polymers Disposition on August 1, 2007 for $150 million plus the value of associated inventory on an average actual cost basis and for the subsequent closing of the U.S. Base Chemicals Disposition for the remaining $306 million plus the value of associated inventory on an average actual cost basis, following the re-start of our Port Arthur, Texas olefins manufacturing facility. On August 1, 2007, we closed the North American Polymers Disposition, and, on November 5, 2007, we closed on the U.S. Base Chemicals Disposition following the successful restart of our Port Arthur, Texas facility.

We received total consideration for the U.S. Petrochemicals Disposition of $769 million in 2007. The net proceeds from the U.S. Petrochemicals Disposition were used to repay borrowings under our revolving credit facility, repay other debt and reduce amounts under our accounts receivable securitization program ("A/R Securitization Program").

Prior to the U.S. Petrochemicals Disposition, our Polymers segment produced LDPE and LLDPE, polypropylene, EPS, styrene and APAO and our Base Chemicals segment produced olefins and cyclohexane.

RESEARCH AND DEVELOPMENT

For the years ended December 31, 2008, 2007 and 2006, we spent $154 million, $145 million and $115 million, respectively, on research and development.

We support our business with a major commitment to research and development, technical services and process engineering improvement. Our research and development centers are located in The Woodlands, Texas, Everberg, Belgium, and Shanghia, China. Other regional development/technical service centers are located in Billingham, England (pigments); Auburn Hills, Michigan (polyurethanes for the automotive industry); Derry, New Hampshire, Shanghai, China, Deggendorf, Germany and Ternate, Italy (polyurethanes); Melbourne, Australia (surfactants); Port Neches, Texas (process engineering support); and Basel, Switzerland (textile effects).

INTELLECTUAL PROPERTY RIGHTS

Proprietary protection of our processes, apparatuses, and other technology and inventions is important to our businesses. We own approximately 650 unexpired U.S. patents, approximately 185 patent applications (including provisionals) currently pending at the U.S. Patent and Trademark Office, and approximately 4,800 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 we have approximately 175 U.S. trademark registrations (including applications for registration currently pending at the U.S. Patent and Trademark Office), and approximately 5,350 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.

Because of the breadth and nature of our intellectual property rights and our business, we do not believe that any single intellectual property right (other than certain trademarks for which we intend to maintain the applicable registrations) is material to our business. Moreover, we do not believe that the termination of intellectual property rights expected to occur over the next several years, either individually or in the aggregate, will materially adversely affect our business, financial condition or results of operations.

EMPLOYEES

As of December 31, 2008, we employed approximately 12,600 people in our operations around the world. Approximately 2,200 of these employees are located in the U.S., while approximately 10,400 are located in other countries. We believe our relations with our employees are good. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Recent Developments 2009 Cost Reduction Intiativies" for a discussion of our plan to reduce 1,250 positions.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

General

We are subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to safety, pollution, protection of the environment and the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. In the ordinary course of business, we are subject to frequent environmental inspections and monitoring and occasional investigations by governmental enforcement authorities. In addition, our production facilities require operating permits that are subject to renewal, modification and, in certain circumstances, revocation. Actual or alleged violations of safety laws, environmental laws or permit requirements could result in restrictions or prohibitions on plant operations, substantial civil or criminal sanctions, as well as, under some environmental laws, the assessment of strict liability and/or joint and several liability. Moreover, changes in environmental regulations could inhibit or interrupt our operations, or require us to modify our facilities or operations. Accordingly, environmental or regulatory matters may cause us to incur significant unanticipated losses, costs or liabilities.

Environmental, Health and Safety Systems

We are committed to achieving and maintaining compliance with all applicable environmental, health and safety ("EHS") legal requirements, and we have developed policies and management systems that are intended to identify the multitude of EHS legal requirements applicable to our operations, enhance compliance with applicable legal requirements, ensure the safety of our employees, contractors, community neighbors and customers and minimize the production and emission of wastes and other pollutants. Although EHS legal requirements are constantly changing and are frequently difficult to comply with, these EHS management systems are designed to assist us in our compliance goals while also fostering efficiency and improvement and minimizing overall risk to us.

EHS Capital Expenditures

We may incur future costs for capital improvements and general compliance under EHS laws, including costs to acquire, maintain and repair pollution control equipment. For the years ended December 31, 2008 , 2007 and 2006, our capital expenditures for EHS matters totaled \$58 million, \$69 million and \$53 million, respectively. Since capital expenditures for these matters are subject to evolving regulatory requirements and depend, in part, on the timing, promulgation and enforcement of specific requirements, we cannot provide assurance that our recent expenditures will be indicative of future amounts required under EHS laws.

Remediation Liabilities

We have incurred, and we may in the future incur, liability to investigate and clean up waste or contamination at our current or former facilities or facilities operated by third parties at which we may have disposed of waste or other materials. Similarly, we may incur costs for the cleanup of wastes that were disposed of prior to the purchase of our businesses. Under some circumstances, the scope of our liability may extend to damages to natural resources.

Under the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), and similar state laws, a current or former owner or operator of real property may be liable for remediation costs regardless of whether the release or disposal of hazardous substances was in compliance with law at the time it occurred, and a current owner or operator may be liable regardless of whether it owned or operated the facility at the time of the release. We have been notified by third parties of claims against us for cleanup liabilities at approximately 10 former facilities or third party sites, including, but not limited to, sites listed under CERCLA. Based on current information and past experiences at other CERCLA sites, we do not expect any of these third party claims to result in material liability to us.

In addition, under the U.S. Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), and similar state laws, we may be required to remediate contamination originating from our properties as a condition to our hazardous waste permit. Some of our manufacturing sites have an extended history of industrial chemical manufacturing and use, including on-site waste disposal. We are aware of soil, groundwater or surface contamination from past operations at some of our sites, and we may find contamination at other sites in the future. For example, our Port Neches, Texas, and Geismar, Louisiana, facilities are the subject of ongoing remediation requirements under RCRA authority.

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

By letter dated March 7, 2006, our Base Chemicals and Polymers facility in West Footscray, Australia, was issued a clean-up notice by the Australian (Victorian) EPA. The agency was concerned about soil and groundwater contamination emanating from the site. Although we fulfilled all initial requirements under the clean-up notice, the agency revoked the original clean-up notice on September 4, 2007 and issued a revised clean-up notice granting an extension due to "the complexity of contamination issues" at the site. The revised clean-up notice reflects the requirement for a more detailed program, with a deadline for the submission of a detailed site remediation action plan by March 31, 2009. We expect to respond to the EPA addressing their revised concerns. We can provide no assurance that the EPA will agree with our proposed plan or will not seek to institute additional requirements for the site. However, we do not believe the costs to us associated with this issue will be material.

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

Based on available information and the indemnification rights we believe are likely to be available, we believe that the costs to investigate and remediate known contamination will not have a material adverse effect on our financial condition, results of operations or cash flows. However, if such indemnities are unavailable or do not fully cover the costs of investigation and remediation or we are required to contribute to such costs, and if such costs are material, then such expenditures may have a material adverse effect on our financial condition, results of operations or cash flows. At the current time, we are unable to estimate the full cost, exclusive of indemnification benefits, to remediate any of the known contamination sites.

Environmental Reserves

We have accrued liabilities relating to anticipated environmental cleanup obligations, site reclamation and closure costs and known penalties. Liabilities are recorded when potential liabilities are either known or considered probable and can be reasonably estimated. Our liability estimates are based upon requirements placed upon the company by regulators, available facts, existing technology and past experience. The environmental liabilities do not include amounts recorded as asset retirement obligations. We had accrued $7 million and $8 million for environmental liabilities as of December 31, 2008 and 2007, respectively. Of these amounts, $4 million and $5 million were classified as accrued liabilities in our consolidated balance sheets as of December 31, 2008 and 2007, respectively, and $3 million and $3 million were classified as other noncurrent liabilities in our consolidated balance sheets as of December 31, 2008 and December 31, 2007, respectively. In certain cases, our remediation liabilities may be payable over periods of up to 30 years. We may incur losses for environmental remediation in excess of the amounts accrued; however, we are not able to estimate the amount or range of such potential excess.

Regulatory Developments

Under the EU's integrated pollution prevention and control directive ("IPPC"), EU member governments adopted rules and implemented a cross media (air, water and waste) environmental permitting program for individual facilities. Although the EU countries varied in their respective implementation of the IPPC permit program, we submitted on a timely basis all necessary IPPC permit applications required and received completed permits from the applicable government agencies. Based upon a review of those permits, the costs of compliance with the IPPC permit program are not material to our financial condition, results of operations or cash flows.

In December 2006, the EU parliament and EU council approved a new EU regulatory framework for chemicals called "REACH" (Registration, Evaluation and Authorization of Chemicals). REACH took effect on June 1, 2007, and the program it establishes will be phased in over 11 years. Under the regulation, companies that manufacture or import more than one ton of a chemical substance per year will be required to register such chemical substances and isolated intermediates in a central database. Use authorizations will be granted for a specific chemical if the applicants can show that any risk in using the chemical can be adequately controlled or, where there are no suitable alternatives available, if the applicant can demonstrate that the social and economic benefits of using the chemical outweigh the risks. In addition, specified uses of some hazardous substances may be restricted. Furthermore, all applicants will have to study the availability of alternative chemicals. If an alternative is available, an applicant will have to submit a "substitution" plan to the regulatory agency. The regulatory agency will only authorize persistent bio-accumulative and toxic substances if an alternative chemical is not available. The registration, evaluation and authorization phases of the program will require expenditures and resource commitments in order to, for example, develop information technology tools,

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generate data, prepare and submit dossiers for substance registration, participate in consortia, obtain legal advice and reformulate products, if necessary. We have established a cross-business European REACH team that is working closely with our businesses to identify and list all substances purchased, manufactured or imported by or for us into the EU. Our pre-registration REACH compliance began on June 1, 2008, utilizing internal resources at nominal expense, and we met all chemical pre-registration requirements by the November 30, 2008 statutory deadline. We are currently proceeding with the registration of the high-volume and high-priority chemicals under the program. Although the total long-term cost for REACH compliance is not estimable at this time, we spent approximately $2 million and $3 million during the years ended December 31, 2008 and 2007, respectively, on REACH compliance.

Greenhouse Gas Regulation

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

Chemical Facility Anti-terrorism Rulemaking

The Department of Homeland Security ("DHS") issued the final rule of their "Chemical Facility Anti-Terrorism Standard" in 2007. The initial phase of the rule required all chemical facilities in the U.S. to evaluate their facilities against the DHS Appendix A list of "Chemicals of Interest." Facilities which have specified chemicals in designated quantities on the Appendix A list were required to submit a "Top Screen" to DHS in 2008. A Top Screen is a questionnaire completed by a facility having Chemicals of Interest in designated threshold quantities. In early 2008, we submitted Top Screens from several of our facilities. After reviewing the Top Screens, DHS determined that some of our sites were "High Risk" facilities. As a result, we were required to perform Security Vulnerability Assessments ("SVAs") at the High Risk sites. The SVAs were completed and sent to DHS during the fourth quarter of 2008. We are currently awaiting the final risk ranking from the DHS, based on their assessment of the SVAs. Any of the sites which are still considered High Risk after the DHS assessment will be required to develop site security plans based on a list of DHS risk-based performance standards. We are unable to determine the cost of security enhancements at our High Risk sites until the site security plans are developed. We anticipate this phase of the rule to be completed by mid-2009.

MTBE Developments

We produce MTBE, an oxygenate that is blended with gasoline to reduce vehicle air emissions and to enhance the octane rating of gasoline. Litigation or legislative initiatives restricting the use of MTBE in gasoline may subject us or our products to environmental liability or materially adversely affect our sales and costs. Because MTBE has contaminated some water supplies, its use has become controversial in the U.S. and elsewhere, and its use has been effectively eliminated in the U.S. market. Since 2007, we have marketed MTBE, either directly or through third parties, only to gasoline additive customers located outside the U.S., although there are additional costs associated with such

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outside-U.S. sales which may result in decreased profitability compared to historical sales in the U.S. We may also elect to use all or a portion of our precursor tertiary butyl alcohol to produce saleable products other than MTBE. If we opt to produce products other than MTBE, necessary modifications to our facilities will require significant capital expenditures and the sale of such other products may produce a lower level of cash flow than that historically produced from the sale of MTBE.

Numerous companies, including refiners, manufacturers and sellers of gasoline, as well as manufacturers of MTBE, have been named as defendants in more than 150 cases in U.S. courts that allege MTBE contamination in groundwater. Many of these cases were settled after the parties engaged in mediation supervised by a court-appointed special settlement master. Beginning in March 2007 and continuing through December 2008, we have been named as a defendant in fourteen of these lawsuits, all of which are still pending. For more information, see "Item 3 Legal Proceedings MTBE Litigation." The plaintiffs in the MTBE groundwater contamination cases generally seek compensatory damages, punitive damages, injunctive relief, such as monitoring and abatement, and attorney fees. We currently have insufficient information to meaningfully assess our potential exposure in these cases. We believe that some of our liability in these cases, if any, is likely covered by insurance and/or indemnity agreements with prior owners. It is possible that we could be named as a defendant in additional existing or future MTBE contamination cases. We cannot provide assurances that adverse results against us in existing or future MTBE contamination cases will not have a material adverse effect on our business, results of operations and financial position.

AVAILABLE INFORMATION

We maintain an internet website at http://www.huntsman.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports are available free of charge through our website as soon as reasonably practicable after we file this material with the SEC. We also provide electronic or paper copies of our SEC filings free of charge upon request.

GLOSSARY OF CHEMICAL TERMS

APAO amorphous polyalpha olefins

DEG di-ethylene glycol

BDO butane diol

DGA® Agent DIGLYCOLAMINE® agent

EG ethylene glycol

EO ethylene oxide

EPS expanded polystyrene

LAB linear alkyl benzene

LAS linear alkylbenzene sulfonate

LDPE low density polyethylene

LER liquid epoxy resins

LLDPE linear low density polyethylene

LNG liquefied natural gas

MEG mono-ethylene glycol

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MDI methyl diphenyl diisocyanate

MTBE methyl tertiary-butyl ether

PG propylene glycol

PO propylene oxide

Polyols a substance containing several hydroxyl groups. A diol, triol and tetrol contain two, three and four hydroxyl groups respectively

TBA tertiary-butyl alcohol

TBHP tert-butyl hydroperoxide

TDI toluene diisocyanate

TEG tri-ethylene glycol

TiO_2 titanium dioxide pigment

TPU thermoplastic polyurethane

UPR unsaturated polyester resin

ITEM 1A. RISK FACTORS

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.

We have incurred net losses in three of the last five fiscal years. Our history of losses may have a negative impact on our business, including our ability to fund operations, make capital expenditures and service debt obligations. Persistent continued losses likely would negatively affect our ability to meet such obligations over the long-term. Our history of losses may also increase our cost of borrowing and make it more difficult and/or expensive to take advantage of opportunities for growth.

Our industry is affected by global economic factors including risks associated with a recession and our customers' access to credit.

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

The current negative worldwide economic conditions and market instability also makes it increasingly difficult for us, our customers and our suppliers to forecast demand trends. A continued decline in demand could place further pressure on our results of operations. The timing and extent of any changes to currently prevailing market conditions is uncertain and supply and demand may be unbalanced at any time. As a consequence, we are unable to accurately predict the extent or duration of business cycles or their effect on our financial condition or results of operations, and can give no assurances as to the timing, extent or duration of the current or future business cycles.

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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, following the dispositions of our base chemicals and polymers businesses in 2007 and 2006, respectively, our purchases from third party suppliers have significantly increased. 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.

The feedstocks and other raw materials we consume are generally commodity products that are readily available at market prices. We frequently enter into supply agreements with particular suppliers, but disruptions of existing supply arrangements could substantially impact our profitability. If certain of our suppliers are unable to meet their 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 costs. 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 or cost effective substitutes. Any interruption in the supply of raw materials could increase our costs or decrease our revenues, which could reduce our cash flow.

Our supply 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 our cash flow. Any cost increase that we are not able to pass on to our customers could have a material adverse effect on our business, results of operations, financial condition and liquidity.

We are subject to the risk of loss resulting from nonpayment or nonperformance by our customers.

As a result of the current economic downturn, some of our customers have initiated or are contemplating initiating bankruptcy proceedings. Our credit procedures and policies may not be adequate to eliminate customer credit risk. Our customers may experience financial difficulties, including bankruptcies, restructurings and liquidations. These and other financial problems that may be experienced by our customers, as well as potential financial weakness in our industry, may increase our risk in extending trade credit to customers. A significant adverse change in a customer relationship or in a customer's financial position could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer's receivables or limit our ability to collect accounts receivable from that customer, all of which could have a material adverse effect on our business, results of operations, financial condition and liquidity.

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

We have a significant amount of indebtedness outstanding. As of December 31, 2008, we had total consolidated outstanding indebtedness of approximately $3,882 million (including the current portion of long-term debt) and a debt to total capitalization ratio of approximately 71%. This balance does not reflect approximately $446 million under our off-balance sheet A/R Securitization Program at

December 31, 2008. Our outstanding debt could have important consequences for our businesses, including the following:

- a high degree of debt makes us more vulnerable to the current downturn in our businesses, our industry and 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;

- our ability to obtain additional financing may be constrained due to our existing level of debt, particularly in the current credit environment; 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.

We require substantial capital to finance our operations and continued growth, and we may incur substantial additional debt from time to time for a variety of purposes, including acquiring additional businesses. However, our existing debt instruments contain restrictive covenants. Among other things, these covenants limit or prohibit our ability to incur more debt; make prepayments of other debt; pay dividends, redeem stock or make other distributions; issue capital stock; make investments; create liens; enter into transactions with affiliates; enter into sale and leaseback transactions; merge or consolidate; and transfer or sell assets.

Our debt instruments also require us to comply with certain financial covenants under certain circumstances. For example, the leverage covenant applicable to our $650 million revolving facility (the "Revolving Facility") under our senior secured credit facilities (the "Senior Credit Facilities") requires us to maintain a debt to EBITDA ratio of 3.75 to 1 when loans or letters of credit are outstanding under the Revolving Facility. As of December 31, 2008, we were in compliance with the covenant. However, if we violate this covenant, it could lead to an event of default under the Senior Credit Facilities, which could require us to pay off the balance of the Senior Credit Facilities in full and result in a loss of such facilities. Given the current credit environment, it may not be possible for us to replace the Senior Credit Facilities with a substitute facility on terms acceptable to us, or at all.

We also must comply with certain financial covenants under our $575 million A/R Securitization Program. Failure to meet such covenants could lead to an event of default and could require us to cease use of such facility and collect our trade receivables until our obligations are paid in full. A default under the accounts receivable securitization program would also constitute an event of default under our Senior Credit Facilities, which could require us to pay off the balance of the Senior Credit Facilities in full and result in a loss of such facilities. In the event the debt under one or more of the facilities is accelerated, cross-default provisions in other debt instruments of our Company would likely be triggered, which would likely have a material and adverse impact on our Company's financial condition.

Also, if we undergo a change of control, our debt instruments may require us to make an offer to purchase certain of our notes. Under these circumstances, we may also be required to repay indebtedness under our Senior Credit Facilities prior to our notes. In this event, we may not have the financial resources necessary to purchase such notes, which would result in an event of default under the indentures governing such notes.

As of December 31, 2008, the current portion of our long term debt totaled approximately $205 million. As of December 31, 2008, we had combined outstanding variable rate borrowings of approximately $2 billion. Assuming a 1% increase in interest rates, without giving effect to any interest rate hedges, our annual interest rate expense would increase by approximately $18 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 creditors under our Senior 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 have a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

A downgrade in the ratings of the securities of our Company or our subsidiaries could result in increased interest and other financial expenses related to future borrowings of our Company or 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 us. 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 our future borrowings and could restrict our ability 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.

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.

Uncertainties following the termination of the Merger may result in a loss of employees and may otherwise materially adversely affect our business and operations.

Our future results of operations will depend in part upon our ability to retain existing highly skilled and qualified employees and to attract new employees. A number of our employees are highly skilled scientists and highly trained technicians, and failure to continue to attract and retain such individuals could materially adversely affect our ability to compete. In addition, current and prospective employees may experience uncertainty about their roles following the termination of the Merger. This uncertainty may materially adversely affect our ability to attract and retain key management, sales, marketing, technical and other personnel. Any inability to retain key personnel could have an adverse effect on our ability to operate the business as a stand-alone enterprise.

Natural or other disasters could disrupt our business and result in loss of revenue or in higher expenses.

Any serious disruption at any of our facilities due to hurricane, fire, earthquake, flood, terrorist attack or any other natural or man-made disaster could impair our ability to use our facilities and have a material adverse impact on our revenues and increase our costs and expenses. If there is a natural disaster or other serious disruption at any of these facilities, it could impair our ability to adequately supply our customers and negatively impact our operating results. In addition, many of our current and potential customers are concentrated in specific geographic areas. A disaster in one of these regions could have a material adverse impact on our operations, operating results and financial condition.

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

We conduct a majority of our business operations outside the U.S., and these operations are subject to risks normally associated with international operations. These risks include the need to convert currencies that may be received for our products into currencies in which we 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 outside the United States, we are exposed to fluctuations in global currency rates which may result in gains or losses on our financial statements.

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, among others, could disrupt the businesses of our international subsidiaries, which could significantly affect their ability to make distributions to us.

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

Historically, the markets for many of our 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. The volatility these markets experience occurs as a result of changes in the supply and demand for products, changes in energy prices and changes in various other economic conditions around the world. This cyclicality and volatility of our industry results in significant fluctuations in profits and cash flow from period to period and over the business cycle. Currently, we are confronted by depressed market conditions and such conditions could exist for a prolonged period.

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 have a material adverse effect on our business, results of operations and financial condition.

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, may be low in certain 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 loss of market share and have a material adverse effect on our business, results of operations, financial condition and liquidity.

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: chemical spills, pipeline leaks and ruptures, storage tank leaks, discharges or releases of toxic or hazardous substances or gases and other hazards incident to the manufacturing, processing, handling, transportation and storage of dangerous chemicals. We are also potentially subject to other hazards, including natural disasters and severe weather; explosions and fires; transportation problems, including interruptions, spills and leaks; mechanical failures; unscheduled downtimes; labor difficulties; remediation complications; and other risks. Many potential 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 and products liability and sudden and accidental insurance policies, as well as 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, in accordance with industry standards and practices. 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 have a material adverse effect on our business, results of operations, financial condition and liquidity.

In addition, we are subject to various claims and litigation in the ordinary course of business. We are a party to various pending lawsuits and proceedings. It is possible that judgments 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.

Financial difficulties and related problems at our vendors, suppliers and other business partners could result in a disruption in our operations and have a material adverse effect on our business.

We rely on numerous vendors and suppliers and collaborations with other industry participants to provide us with chemicals, feedstocks and other raw materials, along with energy sources and, in certain cases, facilities, that we need to operate our business. Recently, the chemical industry, including potentially certain companies on which we rely, has experienced severe financial difficulties, including issues with solvency. We believe that certain of our business partners may be experiencing or may experience cash flow problems, which could be further aggravated by recessionary industry conditions. Some of these companies may be forced to reduce their output, shut down their operations or file for bankruptcy protection. Financial difficulties or solvency problems at companies on which we rely could materially adversely affect their ability to provide us with the raw materials, energy sources or facilities that we need, which could disrupt our operations, including the production of certain of our products. In addition, it could be difficult to find replacements for certain of our business partners without incurring significant delays or cost increases.

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 human health, 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 "Item 1. Business Environmental, Health and Safety Matters" and "Item 3. Legal Proceedings" included elsewhere in this Annual Report on Form 10-K for the year ended December 31, 2008.

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 "Item 1. Business Environmental, Health and Safety Matters" and "Item 3. Legal

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Proceedings" included elsewhere in this Annual Report on Form 10-K for the year ended December 31, 2008.

Existing or future litigation or legislative initiatives restricting the use of MTBE in gasoline may subject us or our products to environmental liability, 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. Litigation or legislative initiatives restricting the use of MTBE in gasoline may subject us or our products to environmental liability or materially adversely affect our sales and costs. Because MTBE has contaminated some water supplies, its use has become controversial in the U.S. and elsewhere, and its use has been effectively eliminated in the U.S. market. We currently market MTBE, either directly or through third parties, to gasoline additive customers located outside the U.S., although there are additional costs associated with such outside-U.S. sales which may result in decreased profitability compared to historical sales in the U.S. We may also elect to use all or a portion of our precursor tertiary butyl alcohol to produce saleable products other than MTBE. If we opt to produce products other than MTBE, necessary modifications to our facilities will require significant capital expenditures and the sale of such other products may produce a lower level of cash flow than that historically produced from the sale of MTBE.

Numerous companies, including refiners, manufacturers and sellers of gasoline, as well as manufacturers of MTBE, have been named as defendants in more than 150 cases in U.S. courts that allege MTBE contamination in groundwater. Many of these cases were settled after the parties engaged in mediation supervised by a court-appointed special settlement master. Beginning in March 2007 and continuing through December 2008, we have been named as a defendant in fourteen of these lawsuits, all of which are still pending. For more information, see "Item 3 Legal Proceedings MTBE Litigation." The plaintiffs in the MTBE groundwater contamination cases generally seek compensatory damages, punitive damages, injunctive relief, such as monitoring and abatement, and attorney fees. We currently have insufficient information to meaningfully assess our potential exposure in these cases. We believe that some of our liability in these cases, if any, is likely covered by insurance and/or indemnity agreements with prior owners. It is possible that we could be named as a defendant in additional existing or future MTBE contamination cases. We cannot provide assurances that adverse results against us in existing or future MTBE contamination cases will not have a material adverse effect on our business, results of operations and financial position.

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 adversely affected.

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 have a material adverse effect on our business, results of operations, financial condition and liquidity.

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 have a material adverse effect on our business, results of operations, financial condition and liquidity.

Future acquisitions, partnerships and joint ventures may require significant resources and/or result in unanticipated adverse consequences that could have a material adverse effect on our business, results of operations and financial condition.

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. Any future acquisitions of businesses or facilities, could entail a number of additional risks, including:

- 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. 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, which could have a material adverse effect on our business, results of operations and financial condition.

If our subsidiaries do not make sufficient distributions to us, then we will not be able to make payment on our debts.

With the exception of our Convertible Notes, our debt is generally the exclusive obligation of Huntsman International and the guarantors of such debt and not of any of our other subsidiaries. Because a significant portion of our operations are conducted by these other subsidiaries, our cash flow and our ability to service indebtedness, including our ability to pay the interest on our debt when due and principal of such debt at maturity, are dependent to a large extent upon cash dividends and distributions or other transfers from non-guarantor subsidiaries. Any payment of dividends, distributions, loans or advances by our non-guarantor subsidiaries to us 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, and any restrictions imposed by the current and future debt instruments of our non-guarantor subsidiaries. In addition, payments to us by our subsidiaries are contingent upon our non-guarantor subsidiaries' earnings.

Our subsidiaries are separate and distinct legal entities and, except for our guarantor subsidiaries, have no obligation, contingent or otherwise, to pay any amounts due on our debt or to make any funds available therefor, whether by dividends, loans, distributions or other payments, and do not guarantee the payment of interest on, or principal of, our debt. Any right that we have to receive any assets of

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any of our subsidiaries that are not guarantors upon the liquidation or reorganization of any such subsidiary, and the consequent right of holders of notes to realize proceeds from the sale of their assets, will be structurally subordinated to the claims of that subsidiary's creditors, including trade creditors and holders of debt issued by that subsidiary.

Terrorist attacks, such as the attacks that occurred on September 11, 2001, the continuing military action in Iraq, general instability in various OPEC member and other energy-producing 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 and other energy-producing 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 threat of further armed hostilities, military action 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, the terrorist attacks, subsequent events and future developments in any of these areas may result in reduced demand from our customers for our products. A terrorist attack on any of our significant facilities could have a material adverse effect on our business. 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 have a material adverse effect on our business, results of operations, financial condition and liquidity.

RISKS RELATED TO OUR COMMON STOCK

Our stock price has been and may continue to be subject to large fluctuations.

We have experienced significant fluctuations in our stock price and share trading volume in the past and may continue to do so. The trading price of our common stock has been and may continue to be subject to wide fluctuations in response to a variety of issues, including broad market factors that may have a material adverse impact on our stock price, regardless of actual performance. The following factors could affect our stock price:

- periodic variations in the actual or anticipated financial results of our business or that of our competitors;
- downward revisions in securities analysts' estimates of our future operating results or of the future operating results of our competitors;
- material announcements by us or our competitors;
- public sales of a substantial number of shares of our common stock; and
- adverse changes in general market conditions or economic trends or in conditions or trends in the markets in which we operate.

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Shares available for future sale may cause our common stock price to decline, which may negatively impact the trading price of our common stock.

Sales of substantial numbers of additional shares of our common stock, or the perception that such sales could occur, may cause prevailing market prices for shares of our common stock to decline. In connection with the Settlement Agreement, we issued $250 million of our Convertible Notes to certain Apollo affiliates. These notes are convertible into our common stock at any time, at the holder's option, and interest is payable either in cash or, at our option, in shares of our common stock. At maturity, we may, at our option, pay the principal amount of the notes in shares of our common stock. We agreed to use our reasonable best efforts to register the resale of our common stock issuable upon conversion of the notes or as payment of interest or principal thereon under the Securities Act. Any sales of our shares of common stock issued in connection with the notes may negatively impact the trading price of our common stock.

We have the ability to issue additional equity securities, which would lead to further dilution of our issued and outstanding common stock.

The issuance of additional equity securities would result in dilution of then-existing stockholders' equity interests in us. Our certificate of incorporation authorizes our Board of Directors, without stockholder approval, to establish one or more series of preferred stock and to determine, with respect to any series of preferred stock, the number of shares in that series and the terms, rights and limitations of that series. If we issue additional convertible notes or convertible preferred stock, a subsequent conversion may dilute the current common stockholders' interest. Our Board of Directors has no present intention of issuing any such convertible instruments, but reserves the right to do so in the future. In addition, we may issue additional shares of common stock under our equity incentive plans.

Certain 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, limit your ability to sell our common stock at a price higher than the current market value.

Certain 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 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. Therefore, our Board of Directors could elect to issue preferred stock that has special voting or other rights that could make it even more difficult for a third party to acquire us, which may reduce or eliminate your ability to sell our common stock at a price higher than the current market value.

The declaration of dividends by our Company is subject to the discretion of our Board of Directors and there can be no assurance that we will continue to pay dividends.

Over the past two years we have paid quarterly dividends on our common stock. The declaration of dividends by our Company is subject to the discretion of our Board of Directors. Our Board of Directors takes into account such matters as general business conditions, our financial results, expected liquidity and capital expenditure requirements, contractual, legal or regulatory restrictions on the payment of dividends, the effect on our debt ratings and such other factors as our Board of Directors may deem relevant, and we can provide no assurance that we will continue to pay dividends on our common stock.

Jon M. Huntsman, Peter R. Huntsman and the Huntsman family, through HMP Equity Trust and other of their affiliates, may be deemed to control approximately 30% of our outstanding common stock, and their interests may conflict with those of other stockholders or our Company.

Jon M. Huntsman, Peter R. Huntsman and other members of the Huntsman family, through HMP Equity Trust and other of their affiliates, may be deemed to control approximately 30% of our outstanding common stock. Through their interests, they may have the ability to substantially impact:

- the election of the members of the Board of Directors of our Company;
- the outcome of 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;
- any potential change in control of our Company.

The interests and objectives of the Huntsman family may be different from those of our Company or our other stockholders, and the Huntsman family may vote their common stock in a manner that may adversely affect our other stockholders.

Jon M. Huntsman and Peter R. Huntsman are directors of our Company and they control HMP Equity Trust. This may create conflicts of interest because these directors have responsibilities to HMP Equity Trust and its beneficial owners. Their duties to HMP Equity Trust and its beneficial owners may conflict with their duties as directors of our Company regarding business dealings between HMP Equity Trust and us and other matters. The resolution of these conflicts may not always be in our or our stockholders' best interest.

ITEM 1B. UNRESOLVED STAFF COMMENTS

As of December 31, 2008, we did not have any unresolved comments from the staff of the SEC.

ITEM 2. PROPERTIES

We own or lease chemical manufacturing and research facilities in the locations indicated in the list below which we 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 in 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.

Location	Business Segment	Description of Facility
Salt Lake City, Utah	Corporate and Other	Executive Offices
The Woodlands, Texas(1)	Various	Operating Headquarters, Global Technology Center
Geismar, Louisiana(2)(7)	Polyurethanes	MDI, Nitrobenzene(3), Aniline(3) and Polyols Manufacturing Facilities and Polyurethanes Systems House
Rozenburg, Netherlands(1)	Polyurethanes	MDI Manufacturing Facility, Polyols Manufacturing Facilities and Polyurethanes Systems House
Shanghai, China	Polyurethanes	MDI Finishing Facilities,Global Technology Center
Deerpark, Australia	Polyurethanes	Polyurethane Systems House
Cartagena, Colombia	Polyurethanes	Polyurethane Systems House
Deggendorf, Germany	Polyurethanes	Polyurethane Systems House

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Location	Business Segment	Description of Facility
Ternate, Italy	Polyurethanes	Polyurethane Systems House
Shanghai, China(1)	Polyurethanes	Polyurethane Systems House, Global Technology Center
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
Dammam, Saudi Arabia(3)	Polyurethanes	Polyurethane Systems House
Auburn Hills, Michigan(1)	Polyurethanes	Polyurethane Research Facility
Everberg, Belgium	Polyurethanes and Performance Products	Polyurethane and Performance Products Regional Headquarters/Global Technology Center
Gateway West, Singapore(1)	Polyurethanes, Performance Products and Materials and Effects	Commercial/Administration Center
Derry, New Hampshire(1)	Polyurethanes	TPU Research Facility
Ringwood, Illinois(1)	Polyurethanes	TPU Manufacturing Facility
Osnabrück, Germany	Polyurethanes	TPU Manufacturing Facility/ Polyurethane Systems House
Wilton, U.K.	Polyurethanes	Aniline and Nitrobenzene Manufacturing Facilities
Port Neches, Texas	Polyurethanes and Performance Products	Olefins, EO, EG, Surfactants, Amines and PO Manufacturing Facilities
Bergkamen, Germany	Materials and Effects	Synthesis Facility
Monthey, Switzerland	Materials and Effects	Resins and Synthesis Facility
Pamplona, Spain	Materials and Effects	Resins and Synthesis Facility
McIntosh, Alabama	Materials and Effects	Resins and Synthesis Facility
Chennai, India(4)	Materials and Effects	Resins and Synthesis Facility
Bad Saeckingen, Germany(1)	Materials and Effects	Formulating Facility
Duxford, U.K.	Materials and Effects	Formulating Facility
Sadat City, Egypt	Materials and Effects	Formulating Facility
Taboão da Serra, Brazil	Materials and Effects	Formulating Facility
Panyu, China(1)(5)	Materials and Effects	Formulating Facility
East Lansing, Michigan	Materials and Effects	Formulating Facility
Istanbul, Turkey(1)	Materials and Effects	Formulating Facility
Los Angeles, California	Materials and Effects	Formulating Facility
Langweid am Leich, Germany(1)	Materials and Effects	Formulating Facility
Schweizerhalle, Switzerland(1)	Materials and Effects	Formulating Facility
Charlotte, North Carolina(1)	Materials and Effects	Formulating Facility
Basel, Switzerland(1)	Materials and Effects	Synthesis Facility
Samutsakorn (Mahachai), Thailand(1)	Materials and Effects	Synthesis Facility
Atotonilquillo, Mexico	Materials and Effects	Synthesis Facility
Panyu, China(1)	Materials and Effects	Production Facility
High Point, North Carolina(1)	Materials and Effects	Research Facility
Conroe, Texas	Performance Products	Amines Manufacturing Facility
Petfurdo, Hungary(1)	Performance Products	Amines Manufacturing Facility
Llanelli, U.K.	Performance Products	Amines Manufacturing Facility

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Location	Business Segment	Description of Facility
Freeport, Texas(1)	Performance Products	Amines Manufacturing Facility
Jurong Island, Singapore(1)	Performance Products	Amines Manufacturing Facility
Chocolate Bayou, Texas(1)	Performance Products	LAB Manufacturing Facility
Pensacola, Florida(1)	Performance Products	Maleic Anhydride Manufacturing Facility
Dayton, Texas	Performance Products	Surfactant Manufacturing Facility
Botany, Australia	Performance Products	Surfactant/EG Manufacturing Facility
St. Mihiel, France	Performance Products	Surfactant Manufacturing Facility
Lavera, France(1)	Performance Products	Surfactant Manufacturing Facility
Castiglione, Italy	Performance Products	Surfactant Manufacturing Facility
Patrica/Frosinone, Italy	Performance Products	Surfactant Manufacturing Facility
Barcelona, Spain(1)	Performance Products	Surfactant Manufacturing Facility
Melbourne, Australia	Performance Products	Research Facility
Greatham, U.K.	Pigments	Titanium Dioxide Manufacturing Facility
Grimsby, U.K(6)	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
Umbogintwini, South Africa	Pigments	Titanium Dioxide Manufacturing Facility
Billingham, U.K.	Pigments	Titanium Dioxide Research and Technical Facility
West Footscray, Australia	Corporate and Other	Styrenics Manufacturing Facility

(1) Leased land and/or building.

(2) The Geismar facility is owned as follows: we own 100% of the MDI and polyol facilities, and Rubicon LLC, a consolidated manufacturing joint venture with Chemtura 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 Chemtura Corporation and our wholly-owned assets at Geismar.

(3) 51%-owned manufacturing joint venture with Basic Chemicals Industries Ltd.

(4) 76%-owned manufacturing joint venture with Tamilnadu Petroproducts Limited.

(5) 95%-owned manufacturing joint venture with Guangdong Panyu Shilou Town Economic Development Co. Ltd.

(6) On January 22, 2009, the Board of Directors approved and we announced plans to close our titanium dioxide plant located in Grimsby, U.K. Pigment production at this plant is expected to cease during the first quarter of 2009.

(7) Our Performance Products Division is currently constructing a new 100 million pound per year maleic anyhydride facility at our Geismar, Louisiana site. We expect the new facility to begin operations at the end of the first quarter of 2009.

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ITEM 3. LEGAL PROCEEDINGS

Litigation Relating to our Merger with Hexion

For information regarding the termination of the Merger and settlement of the related litigation, see "Item 1. Business Termination of Merger Agreement and Settlement of Related Litigation" above.

Texas Bank Litigation

For information with respect to the Texas Bank Litigation, see "Item 1. Business Recent Developments Texas Bank Litigation" above.

Discoloration Claims

Certain claims have been filed against us relating to discoloration of unplasticized polyvinyl chloride products allegedly caused by our titanium dioxide ("Discoloration Claims"). Substantially all of the titanium dioxide that is the subject of these claims was manufactured prior to our acquisition of the titanium dioxide business from ICI in 1999. Net of amounts we have received from insurers and pursuant to contracts of indemnity, we have paid an aggregate of approximately $16 million in costs and settlement amounts for Discoloration Claims through December 31, 2008.

During the year ended December 31, 2008, we did not settle any Discoloration Claims. During the year ended December 31, 2007, we paid an insignificant amount in partial settlement of a claim. The two Discoloration Claims unresolved as of December 31, 2008 asserted aggregate damages of €36 million (approximately $51 million). An appropriate liability has been accrued for these claims. Based on our understanding of the merits of these claims and our rights under contracts of indemnity and insurance, we do not believe that the net impact on our financial condition, results of operations or liquidity will be material.

While additional Discoloration Claims may be made in the future, we cannot reasonably estimate the amount of loss related to such claims. Although we may incur additional costs as a result of future claims (including settlement costs), based on our history with Discoloration Claims to date, the fact that substantially all of the titanium dioxide that has been the subject of these Discoloration Claims was manufactured and sold more than nine years ago, and the fact that we have rights under contract to indemnity, including from ICI, we do not believe that any unasserted Discoloration Claims will have a material impact on our financial condition, results of operations or liquidity. Based on this conclusion and our inability to reasonably estimate our expected costs with respect to these unasserted claims, we have made no accruals in our financial statements as of December 31, 2008 for costs associated with unasserted Discoloration Claims.

ENVIRONMENTAL ENFORCEMENT PROCEEDINGS

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

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

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By letter dated November 26, 2008, the Texas Commission on Environmental Quality combined the alleged air emission-related violations and proposed penalties associated with two previously issued draft orders for our Port Neches, Texas facility. The proposed penalty for the combined order is $120,000. However, we entered into an expedited penalty settlement of $100,000, half of which will be paid through a Supplemental Environmental Project agreed to with the agency.

Asbestos Litigation

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

Where a claimant's alleged exposure occurred prior to our ownership of the relevant "premises," the prior owners generally have contractually agreed to retain liability for, and to indemnify us against, asbestos exposure claims. This indemnification is not subject to any time or dollar amount limitations. Upon service of a complaint in one of these cases, we tender it to the prior owner. None of the complaints in these cases state the amount of damages being sought. The prior owner accepts responsibility for the conduct of the defense of the cases and payment of any amounts due to the claimants. In our fourteen-year experience with tendering these cases, we have not made any payment with respect to any tendered asbestos cases. We believe that the prior owners have the intention and ability to continue to honor their indemnity obligations, although we cannot assure you that they will continue to do so or that we will not be liable for these cases if they do not.

The following table presents for the periods indicated certain information about cases for which service has been received that we have tendered to the prior owner, all of which have been accepted.

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006
Unresolved at beginning of period	1,192	1,367	576
Tendered during period	21	21	998
Resolved during period(1)	73	196	207
Unresolved at end of period	1,140	1,192	1,367

(1) Although the indemnifying party informs us when tendered cases have been resolved, it generally does not inform us of the settlement amounts relating to such cases, if any. The indemnifying party has informed us that it typically manages our defense together with the defense of other entities in such cases and resolves claims involving multiple defendants simultaneously, and that it considers the allocation of settlement amounts, if any, among defendants to be confidential and proprietary. Consequently, we are not able to provide the number of cases resolved with payment by the indemnifying party or the amount of such payments.

We have never made any payments with respect to these cases. As of December 31, 2008, we had an accrued liability of $16 million relating to these cases and a corresponding receivable of $16 million relating to our indemnity protection with respect to these cases. We cannot assure you that our liability will not exceed our accruals or that our liability associated with these cases would not be material to our financial condition, results of operations or liquidity; however, we are not able to estimate the amount or range of loss in excess of our accruals. Additional asbestos exposure claims may be made against us in the future, and such claims could be material. However, because we are not able to

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estimate the amount or range of losses associated with such claims, we have made no accruals with respect to unasserted asbestos exposure claims as of December 31, 2008.

Certain cases in which we are a "premises defendant" are not subject to indemnification by prior owners or operators. The following table presents for the periods indicated certain information about these cases. Cases include all cases for which service has been received by us, other than a number of cases that were erroneously filed against us due to a clerical error. The cases filed in error have been dismissed.

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006
Unresolved at beginning of period	39	42	34
Filed during period	8	52	19
Resolved during period	4	55	11
Unresolved at end of period	43	39	42

We paid gross settlement costs for asbestos exposure cases that are not subject to indemnification of nil, $3 million and nil during the years ended December 31, 2008, 2007 and 2006, respectively. We cannot assure you that our liability will not exceed our accruals or that our liability associated with these cases would not be material to our financial condition, results of operations or liquidity; however, we are not able to estimate the amount or range of loss in excess of our accruals. Additional asbestos exposure claims may be made against us in the future, and such claims could be material. However, because we are not able to estimate the amount or range of losses associated with such claims, we have made no accruals with respect to unasserted asbestos exposure claims as of December 31, 2008.

Antitrust Matters

We have been named as a defendant in civil antitrust suits alleging that between 1999 and 2004 we conspired with Bayer, BASF, Dow, and Lyondell to fix the prices of MDI, TDI, polyether polyols, and related systems ("polyether polyol products") sold in the United States in violation of the federal Sherman Act. These cases are consolidated as the "Polyether Polyols" cases in multidistrict litigation known as In re Urethane Antitrust Litigation, MDL No. 1616, Civil No. 2:04-md-01616-JWL-DJW, pending in the United States District Court, District of Kansas. The Kansas court has ruled that plaintiffs may prosecute the Polyether Polyols cases on behalf of a class of all direct purchasers of polyether polyol products in the United States. Bayer has entered into a settlement with the plaintiffs' class and has been dismissed as a defendant. Merits discovery is underway, and trial has been set for May 3, 2011.

We and the other Polyether Polyol defendants (excluding Bayer) have also been named as defendants in two civil antitrust suits brought by certain direct purchasers of polyether polyol products that opted out of the class certified in MDL No. 1616. These cases have been brought by 12 groups of affiliated companies, 73 plaintiffs in all, who allege that between 1994 and 2006 the Polyether Polyol defendants conspired to fix the prices of polyether polyol products sold in the United States and abroad in violation of the Sherman Act, similar laws of several U.S. states, and the laws of the European Union and certain of its member states. We and the other defendants have moved to dismiss the opt-out complaints.

We, along with the other Polyether Polyols defendants and Rhodia, have also been named as a defendant in civil antitrust suits alleging a conspiracy to fix the prices of polyether polyol products sold in Canada in violation of Canadian competition law. These cases, filed in the Superior Court of Justice, Ontario, Canada on May 5, 2006 and in Superior Court, Quebec, Canada on May 17, 2006, purport to be brought on behalf of various classes of Canadian direct purchasers of polyether polyol products. There has been little activity in these cases since they were filed.

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Along with Flexsys, Crompton (now Chemtura), Uniroyal, Rhein Chemie Rheinau, and the other Polyether Polyol defendants, we also have been named as a defendant in a civil antitrust suit pending in the Superior Court of California, County of San Francisco, filed on February 15, 2005, that alleges that between 1994 and 2004 the defendants conspired to fix the prices of certain rubber and urethane products sold in California in violation of antitrust and unfair competition laws of California. This case purports to be brought on behalf of a class of all California purchasers of products containing rubber and urethanes products. By agreement of the parties this case has been stayed pending the resolution of MDL No. 1616.

Along with Dow, BASF, and Lyondell, we have also been named as a defendant in a third amended complaint proposed for filing in an existing civil antitrust suit pending against Bayer and Chemtura in federal district court in Massachusetts. The proposed amended complaint alleges that beginning around 1990 we and the other defendants conspired to fix the prices of MDI, TDI, polyether polyols, and polyester polyols sold throughout the United States in violation of the federal Sherman Act and the laws of various states. The proposed amended complaint seeks to sue on behalf of all indirect purchasers of such products in the United States. The Massachusetts action has been stayed pending plaintiffs' settlement of the previously asserted claims against Bayer and Chemtura. We have filed papers opposing the motion for leave to file the proposed amended complaint adding us as a defendant in that action.

The plaintiffs' pleadings in these various antitrust suits provide few specifics about any alleged illegal conduct on our part, and we are not aware of any illegal conduct by us or any of our employees. For these reasons, we cannot estimate the possibility of loss or range of loss relating to these claims, and therefore we have not accrued a liability for these claims. Nevertheless, we could incur losses due to these claims in the future and those losses could be material.

In addition, on February 16, 2006, the Antitrust Division of the U.S. Department of Justice served us with a grand jury subpoena requesting production of documents relating to our sale of polyether polyol products. The other defendants in the Polyether Polyols cases have confirmed that they were also served with subpoenas in this matter. We cooperated fully with the investigation, and by letter dated December 16, 2007, the U.S. Department of Justice notified us that its investigation of possible antitrust violations by manufacturers of polyether polyol products has been closed.

MTBE Litigation

We have been named as a defendant in 14 lawsuits pending in multidistrict litigation in the U.S. District Court for the Southern District of New York alleging liability related to MTBE contamination in groundwater. Four of these cases were filed on March 23, 2007, one was filed on March 28, 2007, three were filed on April 5, 2007, one was filed on January 11, 2008, two were filed on September 4, 2008, one was filed November 7, 2008, one was filed November 18, 2008, and one was filed on December 19, 2008. Numerous other companies, including refiners, manufacturers and sellers of gasoline, as well as manufacturers of MTBE, have been named as defendants in these and many other cases currently pending in U.S. courts. The plaintiffs in the fourteen cases in which we have been named are municipal water districts, a regional water supply authority, and municipal corporations that claim that defendants' conduct has caused MTBE contamination of their groundwater. The plaintiffs seek injunctive relief, such as monitoring and abatement, compensatory damages, punitive damages and attorney fees. At this time, we have insufficient information to meaningfully assess our potential exposure in these cases and therefore we have not accrued a liability for these claims. We believe that our liability in these cases, if any, would likely be covered, at least in part, by insurance and/or by indemnity agreements with prior owners.

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Shareholder Litigation

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

On September 20, 2007, the parties entered into a Memorandum of Understanding with plaintiffs' counsel in the Delaware and Texas actions to settle these four lawsuits. As part of the proposed settlement, the defendants deny all allegations of wrongdoing, but we agreed to make certain additional disclosures in the final proxy statement that was mailed to our stockholders on or about September 14, 2007. In connection with the settlement, the parties also reached an agreement with respect to any application that the plaintiffs' counsel will make for an award of customary attorneys' fees and expenses to be paid following the completion of the Merger.

The Memorandum of Understanding is now null and void and of no force and effect because the Merger was not consummated. The Texas action has been voluntarily dismissed, but there has been no further developments in the Delaware actions at this time.

A fifth putative shareholder class action was filed against the Company and three of its officers on August 12, 2008 in the United States District Court for the District of Utah alleging, among other things, that the defendants failed to disclose material adverse facts about the Company's financial well-being, business relationships and prospects during the period from June 26, 2007 to June 18, 2008 in violation of Section 10(b) of the Securities and Exchange Act of 1934 and Rule 10b-5. Prior to any further activity in the case, the action was voluntarily dismissed October 3, 2008.

Port Arthur Plant Fire Insurance Litigation

On August 31, 2007, an action was brought against our Company and International Risk Insurance Company ("IRIC"), our captive insurer, in the United States District Court for the Southern District of Texas, by seventeen reinsurance companies (the"Reinsurers") that reinsure risks under the property insurance policy issued by IRIC to our Company (the"Policy") for the period covering the April 29, 2006 fire at our manufacturing facility in Port Arthur, Texas. The action seeks to compel our Company and IRIC to arbitrate with the Reinsurers to resolve disputes related to the claim for losses caused by the fire or, in the alternative, to declare judgment in favor of the Reinsurers. On September 26, 2008, the court denied motions to dismiss filed by our Company and IRIC, ordering the parties to engage in a short period of discovery on the issue of arbitrability. In a second and related action filed by our Company against IRIC in state court in Jefferson County, Texas, IRIC filed a third party petition against the Reinsurers, who then removed that action to the United States District Court for the Eastern District of Texas. Some of the Reinsurers filed answers and motions to compel arbitration, to stay these proceedings, and to change venue to the United States District Court for the Southern District of Texas in order to consolidate the two actions. Our Company filed a motion to remand that action to the state court and opposition to the Reinsurers' motions in that action. On April 23, 2008,

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the United States District Court for the Eastern District of Texas transferred the case to the United States District Court for the Southern District of Texas. On September 26, 2008, the court denied our Company's motion to remand that suit to the state court in which it was filed. Pursuant to a December 29, 2008 agreement among the parties to the actions referenced above: (1) a mediation is scheduled for February 24-25, 2009, (2) if the disputes are not fully resolved in mediation, the parties will submit all coverage and quantum issues to a three-arbitrator panel in August of 2009, with a binding award to be entered by September 30, 2009, (3) the Reinsurers paid an additional $40 million on the claim of the Company on December 29, 2008 and agreed that all monies paid by the participating Reinsurers on the claim to date are nonrefundable, (4) the Company waived its noncontractual claims against the Reinsurers, (5) the first action referenced above will be stayed pending final resolution and entry of judgment, and (6) the second action reference above will be dismissed. Reinsurers responsible for a small percentage of our remaining claim were not parties to the two lawsuits and are not parties to the agreement, thus we may need to pursue them separately for their pro rata shares of the unpaid claim. Our Company has paid its deductible on the claim of $60 million and has been paid $365 million to date by the Reinsurers. As of December 31, 2008, our Company has claimed an additional approximately $235 million as presently due and owing and unpaid under the Policy for losses caused by the fire, and anticipates filing additional claims. For more information, see "Note 24. Casualty Losses and Insurance Recoveries Port Arthur, Texas Plant Fire."

Other Proceedings

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our annual meeting of stockholders was held on November 19, 2008. At that meeting, Jon M. Huntsman and Marsha J. Evans were re-elected to serve as Class I directors on our Board of Directors for three-year terms to expire at our annual meeting in 2011 and the appointment of Deloitte & Touche LLP as independent registered public accounting firm for 2008 was ratified.

The following table gives a brief description of each matter voted upon at our 2008 annual meeting and, as applicable, the number of votes cast for, against or withheld, as well as the number of abstentions.

Description of Matter	For	Against	Withheld	Abstentions
1. Election of Class I Directors:				
Jon M. Huntsman	204,492,458	N/A	1,335,414	N/A
Marsha J. Evans	205,244,876	N/A	582,996	N/A
2. Ratification of the appointment of Deloitte & Touche LLP as independent registered public accounting firm for 2008	205,395,924	301,536	N/A	130,412

N/A Not applicable

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EXECUTIVE OFFICERS OF THE REGISTRANT

The following is information concerning our executive officers and significant employees as of the date of this report.

Jon M. Huntsman is the Executive Chairman of the Board of Directors of our Company. Prior to appointment as Executive Chairman effective February 2008, Mr. Huntsman served as Chairman of the Board of Directors of our Company, a position he had held since our Company was formed. Mr. Huntsman also serves on our Litigation Committee. 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 Huntsman International 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. Mr. Huntsman also serves on our Litigation Committee. 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 Huntsman International 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.

Andre Genton is Division President, Advanced Materials. Prior to his appointment to this position in February 2009, Mr. Genton served as Vice President & Global Operating Officer for our Advanced Materials business since November 2006. From January 2005 to November 2006, he served as Vice President Design & Composites Engineering for our Advanced Materials business. From June 2003 to January 2005 he served as Vice President Global Structural Composites for our Advanced Materials business. Prior to joining Huntsman in 2003, Mr. Genton held a variety of positions with Vantico (formerly a part of Ciba).

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

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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, Textile Effects. Mr. Hulme was appointed to this position in February 2009. From June 2003 to February 2009, Mr. Hulme served as Division President, Materials and Effects. 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.

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 Huntsman LLC 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.

Simon Turner is Division President, Pigments. Prior to his appointment to this position in November 2008, Mr. Turner served as Senior Vice President, Pigments since April 2008. From September 2004 to April 2008 Mr. Turner served as Vice President of Global Sales and from July 1999 to September 2004, he held positions including General Manager Co-Products and Director Supply Chain and Shared Services. Prior to joining Huntsman in July 1999, Mr. Turner held various positions with ICI.

Michael J. Kern is Senior Vice President Environmental, Health & Safety. Mr. Kern has held this position since July 2001. 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.

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.

Russ R. Stolle is Senior Vice President, Global Public Affairs and Communications. Mr. Stolle was appointed to this position in October 2006. From November 2002 to October 2006, Mr. Stolle served as Vice President and Deputy General Counsel, from October 2000 to November 2002 he served as Vice President and Chief Technology Counsel, and from April 1994 to October 2000 he served as Chief Patent and Licensing Counsel. Prior to joining Huntsman in 1994, Mr. Stolle had been an attorney with Texaco Inc. and an associate with the law firm of Baker & Botts.

L. Russell Healy is Vice President and Controller. Mr. Healy is also Vice President and Controller of Huntsman International and certain of our other subsidiaries and has served in these capacities since April 2004. From August 2001 to April 2004, Mr. Healy served as Vice President, Finance, from July 1999 to July 2001, he served as Vice President and Finance Director for Huntsman International, and from October 1995 to June 1999, he served as Vice President, Tax. 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.

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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 Huntsman International. 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.

Steven C. Jorgensen is Vice President of Internal Audit and Controls. Mr. Jorgensen was appointed to this position effective May 2007. Mr. Jorgensen joined Huntsman in May 2004 as Director of Internal Controls and in May 2005 was appointed as Director of Internal Audit and Controls. Prior to joining Huntsman, Mr. Jorgensen was Vice President and Audit Manager with General Electric Consumer Finance, and prior to that he was an audit Senior Manager with the accounting firm of Deloitte & Touche LLP. Mr. Jorgensen is a Certified Public Accountant and holds a masters degree in accounting.

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.

Kurt D. Ogden is Vice President, Investor Relations. Prior to his appointment to this position in February 2009, Mr. Ogden served as Director, Corporate Finance since October 2004. Prior to joining Huntsman in 2004, Mr. Ogden held various positions with Hillenbrand Industries, Pliant Corporation and Huntsman Chemical Corporation. Mr. Ogden is a Certified Public Accountant and holds a master's degree in business administration.

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.

Maria Csiba-Womersley is Vice President and Chief Information Officer. Ms. Csiba-Womersley was appointed to this position effective September 1, 2006. Ms. Csiba-Womersley served as Global eBusiness Director from 2004 to 2006 and also served as our Director of Global IT Planning and Security. Previously, Ms. Csiba-Womersley was a Regional Polymer Sales Manager, a Business Director for Polypropylene and Director of Polymer Logistics. Ms. Csiba-Womersley joined Huntsman in 1997.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION AND HOLDERS

Our common stock is listed on the New York Stock Exchange under the symbol "HUN." As of February 13, 2009, there were approximately 136 stockholders of record and the closing price of our common stock on the New York Stock Exchange was $2.91 per share.

The reported high and low sale prices of our common stock on the New York Stock Exchange for each of the periods set forth below are as follows:

Period	High	Low
2008		
First Quarter	$25.71	$22.35
Second Quarter	23.95	9.81
Third Quarter	14.48	7.01
Fourth Quarter	14.50	2.82

Period	High	Low
2007		
First Quarter	$21.92	$18.74
Second Quarter	24.39	18.40
Third Quarter	28.40	22.24
Fourth Quarter	27.00	23.60

DIVIDENDS

On March 31, 2008, June 30, 2008, September 30, 2008 and December 31, 2008 we paid dividends of approximately $23 million each, for a total of $93 million, or $0.10 per share each, to common stockholders of record as of March 14, 2008, June 16, 2008, September 15, 2008 and December 15, 2008, respectively. On March 30, 2007, June 29, 2007, September 28, 2007 and December 31, 2007, we paid cash dividends of approximately $22 million each for a total of $88 million, or $0.10 per share each, to common stockholders of record as of March 15, 2007, June 15, 2007, September 15, 2007 and December 15, 2007, respectively.

PURCHASES OF EQUITY SECURITIES BY THE COMPANY

Neither we nor any "affiliated issuer" (as such term is defined in Rule 10b-18(a)(3) promulgated under the Securities Exchange Act of 1934, as amended) made any purchase of our equity securities during the fourth quarter of the fiscal year ended December 31, 2008.

STOCK PERFORMANCE GRAPH

Information relating to our stock performance graph will be contained in the definitive proxy statement for the annual meeting of our stockholders and is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The selected historical financial data set forth below presents our historical financial data and the historical financial data of our predecessor Huntsman Holdings, LLC as of and for the dates and periods indicated. You should read the selected financial data in conjunction with "Management's

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Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and accompanying notes included elsewhere in this report.

Huntsman Corporation
(in millions of dollars, except per share amounts)

	Year ended December 31,				
	2008	2007	2006	2005	2004
Statements of Operations Data:					
Revenues	$10,215	$9,651	$8,731	$8,446	$7,632
Gross profit	1,264	1,540	1,422	1,413	1,123
Restructuring, impairment and plant closing costs	36	42	15	107	274
Operating income	165	537	645	554	228
Income (loss) from continuing operations(a)	478	52	307	(131)	(342)
Income (loss) from discontinued operations, net of tax(b)	117	(217)	(133)	124	114
Extraordinary gain (loss) on the acquisition of a business, net of tax of nil(c)	14	(7)	56		
Cumulative effect of changes in accounting principle, net of tax(d)				(28)	
Net income (loss)	609	(172)	230	(35)	(228)
Basic income (loss) per common share(e):					
Income (loss) from continuing operations	$ 2.06	$ 0.23	$ 1.39	$ (0.79)	$ (1.95)
Income (loss) from discontinued operations, net of tax	0.50	(0.98)	(0.60)	0.57	0.52
Extraordinary gain (loss) on the acquisition of a business	0.06	(0.03)	0.25		
Cumulative effect of changes in accounting principle, net of tax(d)				(0.13)	
Net income (loss)	$ 2.62	$ (0.78)	$ 1.04	$ (0.35)	$ (1.43)
Diluted income (loss) per common share(e):					
Income (loss) from continuing operations	$ 2.04	$ 0.22	$ 1.32	$ (0.79)	$ (1.95)
Income (loss) from discontinued operations, net of tax	0.50	(0.93)	(0.57)	0.57	0.52
Extraordinary gain (loss) on the acquisition of a business	0.06	(0.03)	0.24		
Cumulative effect of changes in accounting principle, net of tax(d)				(0.13)	
Net income (loss)	$ 2.60	$ (0.74)	$ 0.99	$ (0.35)	$ (1.43)
Other Data:					
Depreciation and amortization	$ 398	$ 413	$ 465	$ 501	$ 537
Capital expenditures	418	665	550	339	227
Dividends per share	0.40	0.40			
Balance Sheet Data (at period end):					
Total assets	$ 8,058	$8,166	$8,445	$8,871	$9,424
Total debt	3,882	3,569	3,645	4,458	6,300
Total liabilities	6,426	6,313	6,679	7,330	9,065

(a) Included in income from continuing operations for the years ended December 31, 2008 and 2007 were income (expenses) associated with the Merger of $780 million and ($210) million, respectively. For more information, see "Note 21. Income (Expenses) Associated with the Merger" to our consolidated financial statements included elsewhere in this report.

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(b)

Income (loss) from discontinued operations represents the operating results, partial fire insurance settlement gains and loss on disposal of our former U.S. base chemicals business, our former North American polymers business, our former European base chemicals and polymers business and our former TDI business. The U.S. base chemicals business was sold on November 5, 2007, the North American polymers business was sold on August 1, 2007, the European base chemicals and polymers business was sold on December 29, 2006 and the TDI business was sold on July 6, 2005. For more information, see "Note 3. Discontinued Operations" and "Note 24. Casualty Losses and Insurance Recoveries" to our consolidated financial statements included elsewhere in this report.

(c)

The extraordinary gain (loss) on the acquisition of a business relates to the June 30, 2006 acquisition of our textile effects business. For more information, see "Note 4. Business Dispositions and Combinations Textile Effects Acquisition" to our consolidated financial statements included elsewhere in this report.

(d)

During the fourth quarter of 2005, we adopted Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 47, *Accounting for Conditional Asset Retirement Obligations,* and recorded a charge for the cumulative effect of accounting change, net of tax, of $32 million. Also, in 2005, we accelerated the date for actuarial measurement of our pension and postretirement benefit obligations from December 31 to November 30. The effect of the change in measurement date resulted in a cumulative effect of accounting change credit, net of tax, of $4 million.

(e)

All per share information has been restated to give effect to the shares issued in connection with the Reorganization Transaction and our initial public offering of common stock on February 16, 2005 and the shares issued in connection with the exchange of certain warrants (the "HMP Warrants") on March 14, 2005.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are a global manufacturer of differentiated organic chemical products and of inorganic chemical products. Our products comprise a broad range of chemicals and formulations, which we market globally to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, durable and non-durable consumer products, electronics, medical, packaging, paints and coatings, power generation, refining, synthetic fiber, textile chemicals and dye industries. We are a leading global producer in many of our key product lines, including MDI, amines, surfactants, epoxy-based polymer formulations, textile chemicals, dyes, maleic anhydride and titanium dioxide. Our administrative, research and development and manufacturing operations are primarily conducted at the facilities listed in " Item 2. Properties" above, which are located in 25 countries. We employed approximately 12,600 associates worldwide at December 31, 2008.

As of December 31, 2008, we operated in four segments: Polyurethanes, Materials and Effects, Performance Products and Pigments. Our Polyurethanes, Materials and Effects and Performance Products segments produce differentiated organic chemical products and our Pigments segment produces inorganic chemical products. In a series of transactions completed in 2006 and 2007, we sold substantially all of our Polymers and Base Chemicals operations. We report the results from these discontinued operations in our Polymers and Base Chemicals segments. For more information, see "Note 3. Discontinued Operations" to our consolidated financial statements included elsewhere in this report.

Growth in our Polyurethanes and Materials and Effects segments has been driven by the continued substitution of our products for other materials across a broad range of applications, as well as by 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 in recent years resulted in improved demand and higher industry capacity utilization rates for many of our key products, including MDI. However, new capacity combined with slower global demand has reduced capacity utilization in 2008.

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. Demand for most of our performance intermediates has grown in line with GDP growth. 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, maleic anhydride demand can be cyclical.

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.

We are currently operating in a difficult worldwide economic environment in all of our businesses. As we enter 2009, chemical industry conditions remain challenging as a result of the global economic and financial turmoil. During the fourth quarter of 2008, we experienced significant declines in selling prices and sales volumes for many of our products, and we expect these difficult economic conditions to continue in the short-term. As a result of the recent decline in selling prices, we recognized a charge of $34 million in the fourth quarter of 2008 to write our inventory down to the lower of cost or market values.

RECENT DEVELOPMENTS

2009 COST REDUCTION INITIATIVES

On January 22, 2009, we announced a company-wide initiative to reduce costs across all of our divisions and functions. Including steps taken during the fourth quarter of 2008, we expect to reduce our full-time employees by approximately 1,250 positions, or 10%, by year-end 2009. The number of full-time contractors working in our businesses are expected to be reduced by an additional 490 positions. Together, we expect these reductions to result in operating cost savings of approximately $150 million.

As part of this initiative, the Board of Directors approved and we announced plans on January 22, 2009 to close our titanium dioxide plant located in Grimsby, U.K. The Grimsby plant is our Pigment segment's oldest and least efficient manufacturing plant and has an annual production capacity of 40,000 tons of titanium dioxide. Pigment production at the plant, which had a net book value of approximately $32 million at December 31, 2008, is expected to cease during the first quarter of 2009. Approximately 200 full-time employees and contractors work at the site. Annual operating cost savings resulting from the plant's closure is expected to be approximately $28 million.

TERMINATION OF MERGER AGREEMENT AND SETTLEMENT OF RELATED LITIGATION

For information with respect to the termination of the Merger Agreement and the settlement of related litigation, see "Item 1. Business Termination of Merger Agreement and Settlement of Related Litigation" above.

SALE OF NOTES IN CONNECTION WITH SETTLEMENT AGREEMENT

For information with respect to our sale of $250 million of Convertible Notes, see "Item 1. Business Recent Developments Sale of Notes in Connection with Settlement Agreement" above.

VOTING AND STANDSTILL AGREEMENT

For information with respect to the Voting and Standstill Agreement, see "Item 1. Business Recent Developments Voting and Standstill Agreement" above.

TEXAS BANK LITIGATION

For information with respect to the Texas Bank Litigation, see "Item 1. Business Recent Developments Texas Bank Litigation" above.

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RESULTS OF OPERATIONS

For each of our Company and Huntsman International, the following tables set forth the condensed consolidated results of operations for the years ended December 31, 2008, 2007 and 2006 (dollars in millions):

Huntsman Corporation

	Year Ended December 31,			Percent Change	
	2008	2007	2006	2008 vs 2007	2007 vs 2006
Revenues	$10,215	$9,651	$8,731	6%	11%
Cost of goods sold	8,951	8,111	7,309	10%	11%
Gross profit	1,264	1,540	1,422	(18)%	8%
Operating expense	1,063	961	762	11%	26%
Restructuring, impairment and plant closing costs	36	42	15	(14)%	180%
Operating income	165	537	645	(69)%	(17)%
Interest expense, net	(263)	(286)	(351)	(8)%	(19)%
Loss on accounts receivable securitization program	(27)	(21)	(13)	29%	62%
Equity in income of investment in unconsolidated affiliates	14	13	4	8%	225%
Loss on early extinguishment of debt	(1)	(2)	(27)	(50)%	(93)%
Income (expenses) associated with the Merger	780	(210)		NM	NM
Other income	1		2	NM	NM
Income from continuing operations before income taxes and minority interest	669	31	260	NM	(88)%
Income tax (expense) benefit	(190)	12	50	NM	(76)%
Minority interests in subsidiaries' (income) loss	(1)	9	(3)	NM	NM
Income from continuing operations	478	52	307	819%	(83)%
Income (loss) from discontinued operations (including gain (loss) on disposal of $11 in 2008, ($340) in 2007 and ($302) in 2006), net of tax	117	(217)	(133)	NM	63%
Extraordinary gain (loss) on the acquisition of a business, net tax of nil	14	(7)	56	NM	NM
Net income (loss)	609	(172)	230	NM	NM
Interest expense, net	263	286	351	(8)%	(19)%
Income tax expense (benefit) from continuing operations	190	(12)	(50)	NM	(76)%
Income tax expense (benefit) from discontinued operations	69	(140)	35	NM	NM
Depreciation and amortization	398	413	465	(4)%	(11)%
EBITDA(1)	$ 1,529	$ 375	$1,031	308%	(64)%

Net cash provided by (used in) operating activities	$ 767	$ (52)	$ 892	NM	NM
Net cash (used in) provided by investing activities	(489)	200	174	NM	15%
Net cash provided by (used in) financing activities	230	(269)	(961)	NM	(72)%

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Huntsman International

	Year Ended December 31,			Percent Change	
	2008	2007	2006	2008 vs 2007	2007 vs 2006
Revenues	$10,215	$9,651	$8,731	6%	11%
Cost of goods sold	8,934	8,095	7,292	10%	11%
Gross profit	1,281	1,556	1,439	(18)%	8%
Operating expense	1,062	961	762	11%	26%
Restructuring, impairment and plant closing costs	36	42	15	(14)%	180%
Operating income	183	553	662	(67)%	(16)%
Interest expense, net	(264)	(287)	(355)	(8)%	(19)%
Loss on accounts receivable securitization program	(27)	(21)	(13)	29%	62%
Equity in income of investment in unconsolidated affiliates	14	13	4	8%	225%
Loss on early extinguishment of debt	(1)	(3)	(39)	(67)%	(92)%
Other income	1		2	NM	NM
(Loss) income from continuing operations before income taxes and minority interest	(94)	255	261	NM	(2)%
Income tax benefit (expense)	2	(41)	31	NM	NM
Minority interests in subsidiaries' (income) loss	(1)	9	(3)	NM	NM
(Loss) income from continuing operations	(93)	223	289	NM	(23)%
Income (loss) from discontinued operations (including gain (loss) on disposal of $11 in 2008, ($351) in 2007 and ($280) in 2006), net of tax	117	(228)	(111)	NM	105%
Extraordinary gain (loss) on the acquisition of a business, net of tax of nil	14	(7)	56	NM	NM
Net income (loss)	38	(12)	234	NM	NM
Interest expense, net	264	287	355	(8)%	(19)%
Income tax (benefit) expense from continuing operations	(2)	41	(31)	NM	NM
Income tax expense (benefit) from discontinued operations	69	(140)	35	NM	NM
Depreciation and amortization	374	391	439	(4)%	(11)%
EBITDA(1)	$ 743	$ 567	$1,032	31%	(45)%
Net cash provided by operating activities	$ 39	$ 57	$ 883	(32)%	(94)%
Net cash (used in) provided by investing activities	(314)	8	159	NM	(95)%
Net cash provided by (used in) financing activities	213	(169)	(944)	NM	(82)%

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

Huntsman Corporation

	Year ended December 31,		
	2008	**2007**	**2006**
Foreign exchange (losses) gains unallocated	$ (31)	$ (12)	$ 10
Loss on early extinguishment of debt	(1)	(2)	(27)
Loss on accounts receivable securitization program	(27)	(21)	(13)
Legal and contract settlement expense, net		(6)	
Amounts included in discontinued operations	186	(324)	5
Gain on sale of businesses/assets, net	1	73	92
Recovery of property losses			9
Income (expenses) associated with the Merger	780	(210)	
Extraordinary gain (loss) on the acquisition of a business	14	(7)	56
Restructuring, impairment and plant closing (costs) credits:			
Polyurethanes			3
Materials and Effects	(25)	(25)	(4)
Performance Products	(1)	(1)	(2)
Pigments	(4)	(3)	(4)
Corporate and Other	(6)	(13)	(8)
Total restructuring, impairment and plant closing costs	(36)	(42)	(15)
Total	$886	$(551)	$117

Huntsman International

	Year ended December 31,		
	2008	**2007**	**2006**
Foreign exchange (losses) gains unallocated	$ (31)	$ (12)	$ 10
Loss on early extinguishment of debt	(1)	(3)	(39)
Loss on accounts receivable securitization program	(27)	(21)	(13)
Legal and contract settlement expense, net		(6)	
Amounts included in discontinued operations	186	(335)	27
Gain on sale of businesses/assets, net	1	73	92
Recovery of property losses			9
Extraordinary gain (loss) on the acquisition of a business	14	(7)	56
Restructuring, impairment and plant closing (costs) credits:			
Polyurethanes			3
Materials and Effects	(25)	(25)	(4)
Performance Products	(1)	(1)	(2)
Pigments	(4)	(3)	(4)
Corporate and Other	(6)	(13)	(8)
Total restructuring, impairment and plant closing costs	(36)	(42)	(15)
Total	$106	$(353)	$127

NM Not meaningful

(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 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 using EBITDA by using it to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Our management also uses other metrics to evaluate capital structure, tax planning and capital investment decisions. For example, our management uses credit ratings and net debt ratios to evaluate capital structure, effective tax rate by jurisdiction to evaluate tax planning, and payback period and internal rate of return to evaluate capital investments. Our management also uses trade working capital to evaluate its investment in accounts receivable and inventory, net of accounts payable.

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

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

Huntsman Corporation

	Year Ended December 31,			Percent Change	
	2008	2007	2006	2008 vs 2007	2007 vs 2006
EBITDA(1)	$1,529	$ 375	$1,031	308%	(64)%
Depreciation and amortization	(398)	(413)	(465)	(4)%	(11)%
Interest expense, net	(263)	(286)	(351)	(8)%	(19)%
Income tax (expense) benefit from continuing operations	(190)	12	50	NM	(76)%
Income tax (expense) benefit from discontinued operations	(69)	140	(35)	NM	NM
Net income (loss)	609	(172)	230	NM	NM
Extraordinary (gain) loss on the acquisition of a business, net of tax	(14)	7	(56)	NM	NM
Equity in income of investment in unconsolidated affiliates	(14)	(13)	(4)	8%	225%
Depreciation and amortization	398	413	465	(4)%	(11)%
Loss on disposal of businesses/assets, net	6	269	209	(98)%	29%
Noncash restructuring, impairment and plant closing costs	7	15	18	(53)%	(17)%
Loss on early extinguishment of debt	1	2	27	(50)%	(93)%
Noncash interest expense	2	5	5	(60)%	
Deferred income taxes	202	(203)	(82)	NM	148%
Net unrealized loss (gain) on foreign currency transactions	4	(9)	(42)	NM	(79)%
Noncash gain on partial fire insurance settlement	(135)			NM	NM
Other, net	41	19	32	116%	(41)%
Changes in operating assets and liabilities	(340)	(385)	90	(12)%	NM
Net cash provided by (used in) operating activities	$ 767	$ (52)	$ 892	NM	NM

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Huntsman International

	Year Ended December 31,			Percent Change	
	2008	2007	2006	2008 vs 2007	2007 vs 2006
EBITDA(1)	$ 743	$ 567	$ 1,032	31%	(45)%
Depreciation and amortization	(374)	(391)	(439)	(4)%	(11)%
Interest expense, net	(264)	(287)	(355)	(8)%	(19)%
Income tax benefit (expense) from continuing operations	2	(41)	31	NM	NM
Income tax (expense) benefit from discontinued operations	(69)	140	(35)	NM	NM
Net income (loss)	38	(12)	234	NM	NM
Extraordinary (gain) loss on the acquisition of a business, net of tax	(14)	7	(56)	NM	NM
Equity in income of investment in unconsolidated affiliates	(14)	(13)	(4)	8%	225%
Depreciation and amortization	374	391	439	(4)%	(11)%
Loss on disposal of businesses/assets, net	6	269	188	(98)%	43%
Noncash restructuring, impairment and plant closing costs	7	15	18	(53)%	(17)%
Loss on early extinguishment of debt	1	3	39	(67)%	(92)%
Noncash interest expense	2	5	9	(60)%	(44)%
Deferred income taxes	26	(150)	(63)	NM	138%
Net unrealized loss (gain) on foreign currency transactions	4	(9)	(42)	NM	(79)%
Noncash gain on partial fire insurance settlement	(135)			NM	NM
Other, net	42	19	26	121%	(27)%
Changes in operating assets and liabilities	(298)	(468)	95	(36)%	NM
Net cash provided by operating activities	$ 39	$ 57	$ 883	(32)%	(94)%

NM Not meaningful

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

For the year ended December 31, 2008, we had net income of $609 million on revenues of $10,215 million, compared with a net loss of $172 million on revenues of $9,651 million for 2007. For the year ended December 31, 2008 Huntsman International had net income of $38 million on revenues of $10,215 million compared with a net loss of $12 million on revenues of $9,651 million for 2007. The increase of $781 million in our net income and the increase of $50 million in Huntsman International's net income was the result of the following:

Revenues for the year ended December 31, 2008 increased by $564 million or 6% as compared with the 2007 period due principally to higher average selling prices in all our segments, partially offset by lower sales volumes in all of our segments. For more information, see " Segment Analysis" below.

Our gross profit and the gross profit of Huntsman International for the year ended December 31, 2008 decreased by $276 million and $275 million, respectively, or 18% each, as compared with the 2007 period. Lower gross profit in our Polyurethanes, Materials and Effects and Pigments segments was somewhat offset by higher gross profit in our Performance Products segment. For more information, see " Segment Analysis" below.

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Our operating expenses and the operating expenses of Huntsman International for the year ended December 31, 2008 increased by $102 million and $101 million, respectively, or 11% each, as compared with the 2007 period. The increase resulted primarily from a $69 million gain recorded in 2007 in connection with the sale of our former U.S. butadiene and MTBE business and lower insurance recoveries of $11 million. Also contributing to the increase in operating expenses were a $9 million increase in research and development costs and higher overall selling, general and administrative costs, which largely resulted from the weakening of the U.S. dollar.

Restructuring, impairment and plant closing costs for the year ended December 31, 2008 decreased to $36 million from $42 million in the 2007 period. For more information concerning restructuring activities, see "Note 11. Restructuring, Impairment and Plant Closing Costs" to our consolidated financial statements included elsewhere in this report.

Our net interest expense and the net interest expense of Huntsman International for the year ended December 31, 2008 decreased $23 million, each, or 8% each, as compared with the 2007 period. This decrease was primarily due to lower average interest rates on borrowings.

Income (expenses) associated with the Merger for the year ended December 31, 2008 consisted primarily of $765 million related to the net proceeds from the Settlement Agreement and recognition of the $100 million deferred credit related to the 2007 reimbursement of the $200 million termination fee paid to Basell pursuant to the Basell Merger Agreement (the "Basell Termination Fee"), offset in part by Merger-related directors, legal and professional fees. For the year ended December 31, 2007, the expenses consisted primarily of Merger-related legal fees and the Basell Termination Fee. For more information regarding these Merger-related expenses, see "Note 21. Income (Expenses) Associated with the Merger" to our consolidated financial statements included elsewhere in this report.

Our income tax expense increased by $202 million to an expense of $190 million for the year ended December 31, 2008 as compared with a benefit of $12 million for the same period in 2007. Huntsman International's income tax expense decreased by $43 million to a benefit of $2 million for the year ended December 31, 2008 as compared with an expense of $41 million for the same period in 2007. Our and Huntsman International's tax obligations are affected by the mix of income and losses in the tax jurisdictions in which we operate. Our income tax expense increased largely due to income recognized pursuant to the Settlement Agreement in connection with the Merger (including the realization of expenditures considered non-deductible in prior periods), current year tax expense associated with the establishment of valuation allowances compared with prior year benefits associated with the release of valuation allowances partially offset by current year tax benefits from reducing tax contingencies related to the settlement of tax audits. Huntsman International's income tax expense decreased largely due to the decrease in pre-tax earnings, net of the valuation allowance and tax contingencies effects described above. For further information concerning taxes, see "Note 20. Income Taxes" to our consolidated financial statements included elsewhere in this report.

The income (loss) from discontinued operations represents the operating results, partial fire insurance settlement gains, and impairment and gain (loss) on disposal with respect to each of our U.S. base chemicals business, our North American polymers business, our European base chemicals and polymers business and our TDI business. For more information, see " Segment Analysis" below and "Note 3. Discontinued Operations" and "Note 24. Casualty Losses and Insurance Recoveries" to our consolidated financial statements included elsewhere in this report.

The extraordinary gain (loss) on the acquisition of a business relates to the June 30, 2006 acquisition of our textile effects business. During the year ended December 31, 2008, we recorded an extraordinary gain on the acquisition of $14 million related to the reversal of accruals for certain employee termination costs recorded in connection with the Textile Effects

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Acquisition that were no longer deemed necessary and a reimbursement by Ciba of certain restructuring costs associated with the acquisition. During the year ended December 31, 2007, we adjusted the preliminary purchase price allocation and finalized post-closing working capital adjustments, resulting in our recording an extraordinary loss on the acquisition of $7 million. For more information, see "Note 4. Business Dispositions and Combinations Textile Effects Acquisition" to our consolidated financial statements included elsewhere in this report.

Segment Analysis

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

The following table sets forth the revenues and EBITDA for each of our operating segments (dollars in millions):

	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
Revenues			
Polyurethanes	$ 4,055	$ 3,813	6%
Materials and Effects	2,395	2,419	(1)%
Performance Products	2,703	2,310	17%
Pigments	1,072	1,109	(3)%
Corporate and Other	159	155	3%
Eliminations	(169)	(155)	9%
Total	$ 10,215	$ 9,651	6%
Huntsman Corporation			
Segment EBITDA			
Polyurethanes	$ 382	$ 592	(35)%
Materials and Effects	116	199	(42)%
Performance Products	278	202	38%
Pigments	17	51	(67)%
Corporate and Other	550	(342)	NM
Subtotal	1,343	702	91%
Polymers	3	(197)	NM
Base Chemicals	183	(130)	NM
Total	$ 1,529	$ 375	308%

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Huntsman International

	Year ended December 31, 2008	Year ended December 31, 2007	Percent Change
Segment EBITDA			
Polyurethanes	$ 382	$ 592	(35)%
Materials and Effects	116	199	(42)%
Performance Products	278	202	38%
Pigments	17	51	(67)%
Corporate and Other	(236)	(150)	57%
Subtotal	557	894	(38)%
Polymers	3	(197)	NM
Base Chemicals	183	(130)	NM
Total	$ 743	$ 567	31%

	Average Selling Price	Sales Volumes
Period-Over-Period Increase (Decrease)		
Polyurethanes(1)	8%	(1)%
Materials and Effects	9%	(9)%
Performance Products(1)	29%	(11)%
Pigments	10%	(12)%

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

NM Not Meaningful

Polyurethanes

For the year ended December 31, 2008, Polyurethanes segment revenues increased as a result of higher average selling prices, offset in part by reduced sales volumes. Average MDI selling prices increased by 4%, despite a significant decline in average selling prices in Asia during the fourth quarter of 2008, primarily due to global price increase initiatives early in the year in response to higher raw materials costs. Prices also benefited from foreign exchange movements as the U.S dollar weakened against other relevant currencies. Average selling prices for MTBE increased by 20% due to improved market demand as well as in response to higher raw materials costs, again despite a significant decline in average selling prices during the fourth quarter of 2008. The decrease in Polyurethanes segment sales volumes was primarily driven by slower growth in the U.S. related to slower construction-related demand and production outages caused by the recent U.S. Gulf Coast storms. Lower sales volumes were also due to lower than expected sales volumes in Asia with Olympic-related production restrictions and a sharp drop in global demand in the fourth quarter of 2008 related to the overall economic slowdown. Segment EBITDA decreased principally on lower margins related to sharply higher raw material and energy costs and the overall effects of the recent U.S. Gulf Coast storms and also on a significant write-down of certain inventories to the lower of cost or market values, all of which more than offset improved average selling prices.

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Materials and Effects

For the year ended December 31, 2008, Materials and Effects segment revenues decreased primarily as a result of lower sales volumes, offset in part by higher average selling prices. Sales volumes for our textile effects products decreased by 19% primarily as a result of lower demand for dyes and chemicals in all regions related to the worldwide economic slowdown. Sales volumes for our advanced materials products decreased by 3%, primarily as a result of lower demand, mainly in Europe and the U.S. as a consequence of the worldwide economic slowdown. Average selling prices in our Materials and Effects segment increased mainly as a result of price increase initiatives in certain markets and regions in response to higher raw materials costs and from foreign exchange movements as the U.S. dollar weakened against other relevant currencies. Segment EBITDA decreased primarily from lower contribution margins as lower sales volumes and higher raw materials, energy and manufacturing costs more than offset higher average selling prices. EBITDA from our advanced materials products decreased by $9 million principally as a result of lower contribution margins as lower sales volumes and higher raw materials, energy and manufacturing costs more than offset higher average selling prices, offset in part by lower general and administrative expenses. EBITDA from our textile effects products decreased by $74 million due principally to lower sales volumes and lower margins, as raw material and energy costs increased by more than average selling prices. During each of the years ended December 31, 2008 and 2007, our Materials and Effects segment recorded restructuring and plant closing charges of $25 million. For more information concerning restructuring activities, see "Note 11. Restructuring, Impairment and Plant Closing Costs" to our consolidated financial statements included elsewhere in this report.

Performance Products

For the year ended December 31, 2008, Performance Products segment revenues increased primarily due to an increase in average selling prices and higher toll manufacturing revenues, offset by lower sales volumes. Average selling prices rose in response to higher raw material costs and as a result of foreign exchange movements as the U.S. dollar weakened against other relevant currencies. The reduction in sales volumes was primarily due to the conversion of most of our ethylene glycol business to a toll manufacturing operation in 2008 and lower olefin by-product sales. Segment EBITDA increased principally due to expanded margins, as higher average selling prices more than offset increases in raw material and energy costs. The higher margins more than offset increases in plant fixed costs resulting from additional planned maintenance and hurricane repairs.

Pigments

For the year ended December 31, 2008, Pigments segment revenues decreased primarily as a result of lower sales volumes, offset in part by higher average selling prices in local currencies in all markets and foreign exchange movements as the U.S. dollar weakened against other relevant currencies. Sales volumes were lower primarily due to lower worldwide demand related to the global economic downturn. The positive effect on revenues of the U.S. dollar weakness was substantially offset by its effect on our costs. Segment EBITDA decreased principally due to lower sales volumes and reduced margins resulting from higher raw material and energy costs. During the years ended December 31, 2008 and 2007, our Pigments segment recorded restructuring and plant closing charges of $4 million and $3 million, respectively. For more information concerning restructuring activities, see "Note 11. Restructuring, Impairment and Plant Closing Costs" to our consolidated financial statements included elsewhere in this report.

Corporate and Other Huntsman Corporation

Corporate and Other includes unallocated corporate overhead, foreign exchange gains and losses, loss on accounts receivable securitization program, loss on the early extinguishment of debt, other non-operating income and expense, minority interest in subsidiaries' (income) loss, extraordinary gain (loss) on the acquisition of a business, gain on the sale of our former U.S. butadiene and MTBE business, Merger-related income and expenses and the operating results of our Australian styrenics business. The increase in EBITDA from Corporate and Other for the year ended December 31, 2008 resulted primarily from a $990 million increase in the income associated with the Merger ($780 million of income recorded in the 2008 period compared to $210 million of expenses in the 2007 period). For more information regarding these Merger-related income (expenses), see "Note 21. Income (Expenses) Associated with the Merger" to our consolidated financial statements included elsewhere in this report. Additionally, for the year ended December 31, 2008, EBITDA was higher by $21 million due to favorable adjustments to the extraordinary gain on acquisition of our Textile Effects business (a $14 million gain recorded in the 2008 period compared to a $7 million loss in the 2007 period). For more information regarding the extraordinary gain associated with our June 30, 2006 acquisition of Ciba's textile effects business (the "Textile Effects Acquisition"), see "Note 4. Business Dispositions and Combinations Textile Effects Acquisition" to our consolidated financial statements included elsewhere in this report. These increases in EBITDA were offset somewhat by a $19 million increase in unallocated foreign exchange losses (a loss of $31 million in 2008 compared to a loss of $12 million in 2007), an increase of $14 million in losses from our Australian styrenics business, and a $10 million decrease in minority interests in subsidiaries' loss. In addition, the increase in Corporate and Other segment EBITDA was offset by an $11 million gain recorded in 2007 in connection with the U.K. Petrochemical Disposition and a $69 million gain recorded in 2007 in connection with the sale of our former U.S. butadiene and MTBE business. For more information, see "Note 4. Business Dispositions and Combinations Sale of U.S. Butadiene and MTBE Business" to our consolidated financial statements included elsewhere in this report.

Corporate and Other Huntsman International

Corporate and Other includes unallocated corporate overhead, foreign exchange gains and losses, loss on accounts receivable securitization program, loss on the early extinguishment of debt, other non-operating income and expense, minority interest in subsidiaries' (income) loss, extraordinary gain (loss) on the acquisition of a business, gain on the sale of our former U.S. butadiene and MTBE business and the operating results of our Australian styrenics business. The decrease in EBITDA from Corporate and Other for the year ended December 31, 2008 resulted primarily from a $19 million increase in unallocated foreign exchange losses (a loss of $31 million in 2008 compared to a loss of $12 million in 2007), an increase of $14 million in losses from our Australian styrenics business, and a $10 million decrease in minority interests in subsidiaries' loss. In addition, Corporate and Other segment EBITDA was lower due to an $11 million gain recorded in 2007 in connection with the U.K. Petrochemical Disposition and a $69 million gain recorded in 2007 in connection with the sale of our former U.S. butadiene and MTBE business. For more information, see "Note 4. Business Dispositions and Combinations Sale of U.S. Butadiene and MTBE Business" to our consolidated financial statements included elsewhere in this report. These decreases in EBITDA were offset somewhat by a $21 million favorable adjustment to the extraordinary gain on acquisition of our Textile Effects business (a $14 million gain recorded in the 2008 period compared to a $7 million loss in the 2007 period). For more information regarding the extraordinary gain associated with the Textile Effects Acquisition, see "Note 4. Business Dispositions and Combinations Textile Effects Acquisition" to our consolidated financial statements included elsewhere in this report.

Polymers

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

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For the year ended December 31, 2008, Polymers segment EBITDA increased to $3 million as compared with a loss of $197 million in the 2007 period. The EBITDA loss in the 2007 period resulted primarily from the $233 million loss recorded in connection with the North American Polymers Disposition. The EBITDA in the 2008 period resulted from property tax settlements and post-closing adjustments to the loss on disposal. For more information, see "Note 3. Discontinued Operations North American Polymers Business" to our consolidated financial statements included elsewhere in this report.

Base Chemicals

The operating results of our base chemicals business are classified as discontinued operations, and, accordingly, the revenues of this business are excluded from revenues for all periods presented. The EBITDA of our base chemicals business is included in the Base Chemicals segment EBITDA for all periods presented.

For the year ended December 31, 2008, Base Chemicals segment EBITDA increased to $183 million as compared with a loss of $130 million in the 2007 period. This increase in Base Chemicals segment EBITDA resulted from $175 million of income related to a partial fire insurance settlement for the Port Arthur fire and adjustments to the losses recorded in connection with the U.S. Base Chemicals Disposition and the U.K. Petrochemicals Disposition. For more information, see "Note 24. Casualty Losses and Insurance Recoveries," "Note 3. Discontinued Operations U.S. Base Chemicals Business" and " European Base Chemicals and Polymers Business" to our consolidated financial statements included elsewhere in this report.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

For the year ended December 31, 2007, we had a net loss of $172 million on revenues of $9,651 million, compared with net income of $230 million on revenues of $8,731 million for 2006. For the year ended December 31, 2007, Huntsman International had a net loss of $12 million on revenues of $9,651 million compared with net income of $234 million on revenues of $8,731 million for 2006. The decrease of $402 million in our net income and the decrease of $246 million in Huntsman International's net income was the result of the following:

- Revenues for the year ended December 31, 2007 increased by $920 million as compared with 2006 due principally to the effects of the Textile Effects Acquisition on June 30, 2006, and to higher sales volumes in our Polyurethanes, Performance Products and Pigments segments and higher average selling prices in our Polyurethanes, Materials and Effects and Performance Products segments. Higher volumes and selling prices in the above segments were partially offset by lower average selling prices in local currencies in our Pigments segment. For more information, see " Segment Analysis" below.

- Our gross profit and the gross profit of Huntsman International for the year ended December 31, 2007 increased by $118 million and $117 million, respectively, or 8% in each case, as compared with 2006. Higher gross profit in our Materials and Effects segment resulting from the Textile effects Acquisition on June 30, 2006 and in our Polyurethanes and Performance Products segments was offset somewhat by lower gross profit in our Pigments segment. For more information, see " Segment Analysis" below.

- Our operating expenses and the operating expenses of Huntsman International for the year ended December 31, 2007 increased by $199 million each, or 26% in each case, as compared with 2006. Higher operating expenses due to the Textile Effects Acquisition on June 30, 2006 constituted $93 million of the increase. Operating expenses also increased as a result of a of $21 million decrease in recorded gains related to the sale of our U.S. butadiene and MTBE business, higher foreign currency losses of $13 million ($14 million of losses in 2007 as compared

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with $1 million of losses in 2006), higher insurance recoveries of $24 million recorded in 2006, higher corporate information technology costs of $24 million and higher overall selling, general and administrative and research and development costs resulting in part from the negative impacts of foreign currency fluctuations as the U.S. dollar weakened against relevant currencies.

Restructuring, impairment and plant closing costs for the year ended December 31, 2007 increased to $42 million from $15 million in 2006. For more information concerning restructuring activities, see "Note 11. Restructuring, Impairment and Plant Closing Costs" to our consolidated financial statements included elsewhere in this report.

Our net interest expense and the net interest expense of Huntsman International for the year ended December 31, 2007 decreased by $65 million and $68 million, or 19% in each case, as compared with 2006. This decrease was primarily due to lower average debt balances and lower interest rates.

Expenses related to the Merger consisted primarily of Merger-related legal fees and the Basell Termination Fee. For further information regarding these Merger-related expenses, see "Note 21. Income (Expenses) Associated with the Merger" to our consolidated financial statements included elsewhere in this report.

Our loss on early extinguishment of debt and the loss on early extinguishment of debt of Huntsman International decreased for the year ended December 31, 2007 by $25 million and $36 million, or 93% and 92%, respectively, as compared to 2006, resulting from higher repayment and refinancing of debt during 2006. For further information regarding the repayment of debt, see "Note 14. Debt" to our consolidated financial statements included elsewhere in this report.

Our income tax benefit decreased by $38 million to a benefit of $12 million for the year ended December 31, 2007 as compared with a benefit of $50 million for the same period in 2006. Huntsman International's income tax expense increased by $72 million to an expense of $41 million for the year ended December 31, 2007 as compared with a benefit of $31 million for the same period in 2006. Our and Huntsman International's tax obligations are affected by the mix of income and losses in the tax jurisdictions in which we operate. Our income tax expense increased while pre-tax income decreased largely due to non-deductible expenses associated with the Merger, and the tax benefits associated with the prior year releases of tax contingencies and valuation allowances being greater than the current year benefits associated with the release of valuation allowances.

Our loss from discontinued operations and the loss from discontinued operations from Huntsman International for the year ended December 31, 2007 increased by $84 million and $117 million, respectively, compared with 2006. The loss from discontinued operations represents the operating results and loss on disposal of our former North American polymers business, our former U.S. base chemicals business, our former European base chemicals and polymers business and our former TDI business. Our 2007 loss from discontinued operations and the 2007 loss from discontinued operations of Huntsman International included a loss on disposal of $340 million and $351 million, respectively, related to the U.S. Base Chemicals Disposition, the North American Polymers Disposition and the U.K. Petrochemicals Disposition. The loss from discontinued operations in 2006 included a loss on disposal related to the U.K. Petrochemicals Disposition of $302 million and $280 million for us and Huntsman International, respectively. For more information, see "Note 3. Discontinued Operations" to our consolidated financial statements included elsewhere in this report.

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The extraordinary (loss) gain on the acquisition of a business relates to the June 30, 2006 acquisition of our textile effects business. The extraordinary gain in 2006 represented the preliminary fair value of the net assets acquired in excess of the purchase price paid for the textile effects business, after the values of all long-lived assets were reduced to zero. The extraordinary loss in 2007 represented the finalization of the fair value of net assets acquired. For more information, see "Note 4. Business Dispositions and Combinations Textile Effects Acquisition" to our consolidated financial statements included elsewhere in this report.

Segment Analysis

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

The following table sets forth the revenues and EBITDA for each of our operating segments (dollars in millions):

	Year ended December 31,		Percent
	2007	**2006**	**Change**
Revenues			
Polyurethanes	$3,813	$3,457	10%
Materials and Effects	2,419	1,792	35%
Performance Products	2,310	2,037	13%
Pigments	1,109	1,058	5%
Corporate and Other	155	538	(71)%
Eliminations	(155)	(151)	3%
Total	$9,651	$8,731	11%
Huntsman Corporation			
Segment EBITDA			
Polyurethanes	$ 592	$ 583	2%
Materials and Effects	199	154	29%
Performance Products	202	208	(3)%
Pigments	51	113	(55)%
Corporate and Other	(342)	(62)	452%
Subtotal	702	996	(30)%
Polymers	(197)	121	NM
Base Chemicals	(130)	(86)	51%
Total	$ 375	$1,031	(64)%

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Huntsman International

	Year ended December 31, 2007	2006	Percent Change
Segment EBITDA			
Polyurethanes	$ 592	$ 583	2%
Materials and Effects	199	154	29%
Performance Products	202	208	(3)%
Pigments	51	113	(55)%
Corporate and Other	(150)	(61)	146%
Subtotal	894	997	(10)%
Polymers	(197)	121	NM
Base Chemicals	(130)	(86)	51%
Total	$ 567	$ 1,032	(45)%

	Average Selling Price	Sales Volumes
Period-Over-Period Increase (Decrease)		
Polyurethanes(1)	9%	2%
Materials and Effects	12%	20%
Performance Products(1)	5%	8%
Pigments		5%

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

NM Not Meaningful

Polyurethanes

For the year ended December 31, 2007, Polyurethanes segment revenues increased as a result of both higher average selling prices and growth in overall sales volumes. MDI average selling prices in 2007 increased by 6% as compared with 2006 due to favorable foreign exchange movements, particularly for euro-denominated sales and in response to higher raw material costs. MTBE average selling prices for 2007 increased by 20% as compared with 2006 mainly due to higher raw material costs, strong export market demand and tight supply. Overall, Polyurethanes sales volumes increased primarily by higher MDI volumes due in particular to strong demand in insulation-related applications and in global emerging markets. For the year ended December 31, 2007, Polyurethanes segment EBITDA increased primarily due to higher PO/co-product MTBE and urethanes margins, with average selling prices increasing by more than raw material and energy costs, as well as an increase in sales volumes. The improvement in margins more than offset increased costs resulting from the delayed start up of our China MDI joint venture.

Materials and Effects

Materials and Effects segment revenues for the year ended December 31, 2007 increased primarily due to the Textile Effects Acquisition on June 30, 2006. The textile effects business contributed $523 million to the increase in revenues for the year ended December 31, 2006, while advanced materials revenues for the same period increased by $104 million, or 8%, as compared to 2006. The increase in advanced materials revenues was attributable to a 12% increase in average selling prices,

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partially offset by a 4% decrease in sales volumes. Average selling prices increased mainly due to favorable impacts of currency fluctuations as the U.S. dollar weakened against the relevant European currencies, price increase initiatives across all regions and most of our major product markets. Sales volumes decreased mainly in Europe and the Americas as a result of lower demand in the coatings, construction, sport and electronics market groups. This was partially offset with sales volume growth in the adhesives and power market groups in Asia. The textile effects business contributed $29 million to the increase in segment EBITDA for the year ended December 31, 2007 resulting from a full year of EBITDA in 2007 as compared with six months in 2006, while advanced materials EBITDA for 2007 increased by $16 million, or 11%, as compared to 2006. Advanced materials EBITDA increased as a result of higher contribution margins on increased average selling prices, partially offset by higher manufacturing and selling, general and administrative costs which were negatively impacted by exchange rates as the U.S. dollar weakened against the relevant European currencies. During the year ended December 31, 2007, our Materials and Effects segment recorded restructuring, impairment and plant closing charges of $25 million as compared to $4 million in 2006. For further information concerning restructuring activities, see "Note 11. Restructuring, Impairment and Plant Closing Costs" to our consolidated financial statements included elsewhere in this report.

Performance Products

For the year ended December 31, 2007, Performance Products segment revenues increased due to higher sales volumes and higher average selling prices. Sales volumes increased principally due to higher demand across most product groups. Volumes were lower in maleic anhydride where demand was impacted by the downturn in the U.S. housing market, and in ethanolamines where production was lower. Average selling prices increased in response to higher raw material and energy costs and favorable currency effects as the U.S. dollar weakened against European and Australian currencies. For the year ended December 31, 2007, Performance Products segment EBITDA decreased as raw materials cost increases were recovered by higher selling prices but the impact of higher sales volumes was more than offset by increased fixed costs. The increase in fixed costs was mainly due to higher maintenance expenditures, negative currency impacts from non-U.S. operations and a $6 million charge related to the settlement of a legal dispute. In addition, during 2006 we recorded gains of $2 million on the sale of real estate and insurance receipts related to property damage incurred at our Port Neches, Texas facility resulting from Hurricane Rita in September 2005. During the years ended December 31, 2007 and 2006, the Performance Product segment recorded restructuring, impairment and plant closing charges of $1 million and $2 million, respectively. For further information concerning restructuring activities, see "Note 11. Restructuring, Impairment and Plant Closing Costs" to our consolidated financial statements included elsewhere in this report.

Pigments

For the year ended December 31, 2007, Pigments segment revenues increased principally from higher sales volumes primarily due to stronger customer demand in Europe and Asia. Average selling prices decreased in local currencies in both the European and North American regions due to competitive markets, offset by favorable foreign currency exchange impacts on selling prices as the U.S. dollar weakened against the relevant European currencies. Pigments segment EBITDA for the year ended December 31, 2007 decreased due to lower local currency selling prices. The positive effect on revenues caused by the strength of the major European currencies was more than offset by the negative impact on selling prices as the U.S. dollar weakened against the major European currencies.

Corporate and Other Huntsman Corporation

Corporate and Other includes unallocated corporate overhead, foreign exchange gains and losses, loss on accounts receivable securitization program, loss on the early extinguishment of debt, other

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non-operating income and expense, minority interest in subsidiaries' (income) loss, extraordinary gain (loss) on the acquisition of a business, Merger-related expenses, the operating results of our Australian styrenics business and the operating results of our former U.S. butadiene and MTBE business and the impact of purchase accounting adjustments. For the year ended December 31, 2007, EBITDA from Corporate and Other items decreased by $280 million to a loss of $342 million from a loss of $62 million for 2006. The reduction in EBITDA resulted primarily from $210 million of expenses incurred during the second half of 2007 associated with the Merger. For further information regarding these Merger-related expenses, see "Note 21. Income (Expenses) Associated with the Merger" to our consolidated financial statements included elsewhere in this report. EBITDA of Corporate and Other was also impacted by gains on the sale of our former U.S. butadiene and MTBE business in 2007 and 2006 of $69 million and $90 million, respectively. For further information, see "Note 4. Business Dispositions and Combinations Sale of U.S. Butadiene and MTBE Business" to our consolidated financial statements included elsewhere in this report. In addition, Corporate and Other EBITDA was impacted by the following: an extraordinary (loss) gain of $(7) million and $56 million recorded in 2007 and 2006, respectively, related to the Textile Effects Acquisition; a $22 million increase in unallocated foreign exchange losses in 2007 which resulted from $12 million of losses in 2007 as compared with $10 million of gains in 2006; and increased information technology costs of $24 million. The decrease in Corporate and Other segment EBITDA was partially offset by the $22 million loss on disposal recorded in 2006 in connection with the U.K. Petrochemical Disposition as compared with a gain on disposal of $11 million recognized in 2007, and a $25 million decrease in expenses in 2007 related to the early extinguishment of debt. For further information regarding the extraordinary gain associated with the Textile Effects Acquisition, see "Note 4. Business Dispositions and Combinations Textile Effects Acquisition" to our consolidated financial statements included elsewhere in this report.

Corporate and Other Huntsman International

Corporate and Other includes unallocated corporate overhead, foreign exchange gains and losses, loss on accounts receivable securitization program, loss on the early extinguishment of debt, other non-operating income and expense, minority interest in subsidiaries' (income) loss, extraordinary gain (loss) on the acquisition of a business, the operating results of our Australian styrenics business and the operating results of our former U.S. butadiene and MTBE business. For the year ended December 31, 2007, EBITDA from Corporate and Other items decreased by $89 million to a loss of $150 million from a loss of $61 million for 2006. The reduction in EBITDA resulted primarily from the following: an extraordinary (loss) gain of $(7) million and $56 million recorded in 2007 and 2006, respectively, related to the Textile Effects Acquisition; a $22 million increase in unallocated foreign exchange losses in 2007 which resulted from $12 million of losses in 2007 as compared with $10 million of gains in 2006; and increased information technology costs of $24 million. The decrease in Corporate and Other segment EBITDA was partially offset by a reduction of $36 million in expenses in the 2007 period related to the early extinguishment of debt. In addition, Corporate and Other segment EBITDA was impacted by gains on the sale of our former U.S. butadiene and MTBE business in 2007 and 2006 of $69 million and $90 million, respectively. For further information, see "Note 4. Business Dispositions and Combinations Sale of U.S. Butadiene and MTBE Business" to our consolidated financial statements included elsewhere in this report. For further information regarding the extraordinary gain associated with the Textile Effects Acquisition, see "Note 4. Business Dispositions and Combinations Textile Effects Acquisition" to our consolidated financial statements included elsewhere in this report.

Polymers

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

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The decrease in Polymers segment EBITDA resulted primarily from the North American Polymers Disposition and the resulting loss on disposal of $233 million and a decrease in EBITDA from operations prior to the dispositions. For further information, see "Note 3. Discontinued Operations North American Polymers Business" to our consolidated financial statements included elsewhere in this report.

Base Chemicals

The operating results of our base chemicals business are classified as discontinued operations, and, accordingly, the revenues of this business are excluded from revenues for all periods presented. The EBITDA of our base chemicals business is included in the Base Chemicals segment EBITDA for all periods presented.

The reduction in Base Chemicals segment EBITDA was driven primarily by the November 5, 2007 U.S. Base Chemicals Disposition and resulting loss on disposal of $146 million in 2007 as compared to a $280 million loss on the U.K. Petrochemicals Disposition in 2006 and a related gain on disposal of $28 million in 2007 and a decrease in EBITDA from operations prior to the dispositions. For further information, see "Note 3. Discontinued Operations U.S. Base Chemicals Business" and "Note 3. Discontinued Operations European Base Chemicals and Polymers Business" to our consolidated financial statements included elsewhere in this report.

LIQUIDITY AND CAPITAL RESOURCES

The following is a discussion of our liquidity and capital resources and generally does not include separate information with respect to Huntsman International in accordance with General Instruction I of Form 10-K.

Cash Flows for Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Net cash provided by (used in) operating activities for the years ended December 31, 2008 and 2007 was $767 million and $(52) million, respectively. The increase in cash provided by operations was primarily attributable to $765 million of net cash received in connection with the Settlement Agreement and to a $45 million favorable year-over-year variance in operating assets and liabilities changes, offset in part by lower operating income as described in " Results of Operations" above.

Net cash (used in) provided by investing activities for the years ended December 31, 2008 and 2007 was $(489) million and $200 million, respectively. During the years ended December 31, 2008 and 2007, we paid $418 million and $665 million, respectively, for capital expenditures. The capital expenditures for the year ended December 31, 2007 included $157 million spent on our former Port Arthur, Texas facility that was previously damaged by fire and has been sold to Flint Hills Resources. In addition, during 2007, we spent $72 million on our Greatham, U.K. expansion for our Pigments segment as compared with $29 million in 2008. During the years ended December 31, 2008 and 2007, we received $3 million and $850 million, respectively, from the sale of assets. On August 1, 2007, we completed the North American Polymers Disposition for $354 million and on November 5, 2007 we completed the U.S. Base Chemicals Disposition for $415 million. In 2006, we sold the assets comprising our former U.S. butadiene and MTBE business and received the final payment of $70 from that sale in November 2007. During the year ended December 31, 2008, we made $29 million of payments related to certain expenditures to rebuild our former Port Arthur, Texas facility, resulting in an adjustment to the sales proceeds. See "Note 3. Discontinued Operations U.S. Base Chemicals Business" to our consolidated financial statements included elsewhere in this report. During the year ended December 31, 2008, we contributed $44 million to our ethylenamines joint venture in Saudi Arabia. During the year ended December 31, 2007, we finalized our post-closing adjustments with respect to the Textile Effects Acquisition, resulting in a reduction to the purchase price of $27 million.

Net cash provided by financing activities for the year ended December 31, 2008 was $230 million as compared with a use of cash of $269 million in the 2007 period. This increase in net cash provided by financing activities was primarily due to the issuance of the Convertible Notes in connection with the Settlement Agreement and lower net repayments of debt in the 2008 period as compared to the 2007 period. For more information regarding the issuance of the Convertible Notes, see " Convertible Notes" below.

Cash Flows for the Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Net cash (used in) provided by operating activities for the years ended December 31, 2007 and 2006 was $(52) million and $892 million, respectively. The decrease in cash provided by operating activities was primarily attributable to $196 million of cash used in 2007 to build working capital as compared with $148 million of cash generated in 2006 from the reduction of working capital. Net cash from operating activities was also impacted by a decrease in operating income as described in "Results of Operations" above and the payment of the Basell Termination Fee as described in "Note 21. Income (Expenses) Associated with the Merger" to our consolidated financial statements included elsewhere in this report.

Net cash provided by investing activities for the years ended December 31, 2007 and 2006 was $200 million and $174 million, respectively. During the years ended December 31, 2007 and 2006, we invested $665 million and $550 million, respectively, in capital expenditures. The increase in capital expenditures was largely attributable to the $157 million of capital expenditures incurred during the year ended December 31, 2007 for the rebuild of our Port Arthur, Texas olefins facility that was damaged by fire and to $72 million of capital expenditures on our Greatham, U.K. expansion for our Pigments divisions. During the year ended December 31, 2007 we finalized our post-closing working capital adjustments with respect to the Textile Effects Acquisition, resulting in a reduction to the purchase price of $27 million, and acquired businesses for $14 million. During the year ended December 31, 2006, we acquired the Textile Effects business for $177 million, net of cash acquired. During the years ended December 31, 2007 and 2006, we sold assets and received proceeds of $850 million and $895 million, respectively. On August 1, 2007, we completed the North American Polymers Disposition to Flint Hills Resources for $354 million, and on November 5, 2007 we completed the U.S. Base Chemicals Disposition to Flint Hills Resources for $415 million. On June 27, 2006, we sold the assets comprising our former U.S. butadiene and MTBE business for $274 million, of which $204 million was paid to us during 2006. The additional $70 million was paid to us on November 9, 2007 after the successful restart of our Port Arthur, Texas olefins unit that was damaged by fire. On December 29, 2006, we sold our European base chemicals and polymers business for $685 million in cash. For further information, see "Note 4. Business Dispositions and Combinations" to our consolidated financial statements included elsewhere in this report.

Net cash used in financing activities for the year ended December 31, 2007 was $269 million as compared with $961 million in 2006. This decrease in net cash used in financing activities is partly due to lower net repayments of debt in 2007 compared to 2006 and an increase in dividends paid to common stockholders in 2007 of $88 million. During the year ended December 31, 2007, we had net repayments under our debt arrangements of $162 million and used $1 million to pay premiums associated with repayment of indebtedness. In the first quarter 2007, we repaid in full our remaining 10.125% subordinated notes due 2009 of $150 million with proceeds from our offering of 7.875% subordinated notes due 2014 of $152 million. Additionally, in the second quarter 2007, we amended our Senior Credit Facilities, increasing our U.S. dollar denominated term loan by $97 million, and we used the proceeds to repay in full our euro denominated term loan. During the year ended December 31, 2006, we had net repayments under our debt arrangements of $914 million and used $30 million to pay premiums associated with the repayment of indebtedness.

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Changes in Financial Condition

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

	December 31, 2008	December 31, 2007	Increase (Decrease)	Percent Change
Cash and cash equivalents	$ 657	$ 154	$ 503	327%
Restricted cash	5		5	NM
Accounts receivable, net	913	1,262	(349)	(28)%
Inventories, net	1,500	1,452	48	3%
Prepaid expenses	45	37	8	22%
Deferred income taxes	21	73	(52)	(71)%
Other current assets	99	117	(18)	(15)%
Total current assets	3,240	3,095	145	5%
Accounts payable	747	1,018	(271)	(27)%
Accrued liabilities	617	885	(268)	(30)%
Deferred income taxes	36	3	33	NM
Current portion of long-term debt	205	69	136	197%
Total current liabilities	1,605	1,975	(370)	(19)%
Working capital	$ 1,635	$ 1,120	$ 515	46%

Our working capital increased by $515 million as a result of the net impact of the following significant changes:

The increase in cash and cash equivalents of $503 million resulted from the matters identified in the consolidated statements of cash flows contained in our consolidated financial statements included elsewhere in this report.

Accounts receivable decreased by $349 million mainly due to lower sales in the fourth quarter 2008 as compared to 2007.

Inventories increased by $48 million mainly due to higher inventory quantities resulting from a slowdown in sales during the fourth quarter of 2008 and higher inventory costs.

Accounts payable decreased by $271 million mainly due to reduced purchases in the fourth quarter of 2008.

Accrued liabilities decreased by $268 million primarily as a result of the recognition of the deferred credit for reimbursement of the Basel Termination Fee as well as the recognition of the deferred gains related to the partial fire insurance settlement.

Current portion of long-term debt increased by $136 million mainly due to increased borrowings in Asia and to the current classification of the Australian credit facilities. The Australian credit facilities mature in the second quarter of 2010.

Debt and Liquidity

Our direct debt and guarantee obligations consist of our Convertible Notes, guarantees of certain debt of HPS and SLIC, our Chinese MDI joint ventures, guarantees of certain debt of our Saudi Arabia joint venture and certain indebtedness incurred from time to time to finance certain insurance premiums. We have no other direct debt or guarantee obligations, and all of the additional debt discussed below has been incurred by our subsidiaries (primarily Huntsman International); such

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subsidiary debt is nonrecourse to us and we have no contractual obligation to fund our subsidiaries' respective operations.

Senior Credit Facilities

As of December 31, 2008, our Senior Credit Facilities consisted of our (i) $650 million Revolving Facility and (ii) $1,540 million term loan B facility (the "Dollar Term Loan"). As of December 31, 2008, there were no borrowings outstanding under the Revolving Facility, and we had $32 million in U.S. dollar equivalents of letters of credit and bank guarantees issued and outstanding under the Revolving Facility. The Revolving Facility matures in August 2010 and the Dollar Term Loan matures in 2014; provided, however, that the maturities of the Revolving Facility and the Dollar Term Loan will accelerate if we do not repay or refinance all but $100 million of our outstanding debt securities on or before three months prior to the maturity dates of such debt securities (the next maturity date of such debt securities is October 2010).

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

As of December 31, 2008, the weighted average interest rate on the Senior Credit Facilities was approximately 2.3%. Our obligations under the Senior Credit Facilities are guaranteed by our guarantor subsidiaries, which consist of substantially all of our domestic subsidiaries and certain of our foreign subsidiaries (collectively, the "Guarantors"), and are secured by a first priority lien (generally shared with the holders of the 2010 Secured Notes (defined below)) on substantially all of our domestic property, plant and equipment, the stock of all of or our material domestic subsidiaries and certain foreign subsidiaries and pledges of intercompany notes between various of our subsidiaries.

On November 14, 2007, in connection with the U.S. Base Chemicals Disposition, we used a portion of the proceeds to make a repayment of $100 million on the Dollar Term Loan. Substantially all of the remaining proceeds were used to repay borrowings under the Revolving Facility and reduce amounts under the A/R Securitization Program.

On April 19, 2007, we entered into an amendment to our Senior Credit Facilities. Pursuant to this amendment, the maturity of the Dollar Term Loan was extended to April 2014 and the loan amount was increased to $1,640 million. We used the increased amount to repay, in full, our previously outstanding euro term loan facility (the "Euro Term Loan").

On January 16, 2007, we made a voluntary repayment of $75 million U.S. dollar equivalents on our term loan B facility ($71 million on the Dollar Term Loan and €3 million on the Euro Term Loan) with available liquidity.

Secured Notes

As of December 31, 2008, we had outstanding $296 million aggregate principal amount ($295 million book value and $455 million original aggregate principal amount) under our 11.625% senior secured notes due October 15, 2010 (the "2010 Secured Notes"). The 2010 Secured Notes are currently redeemable at 102.906% of the principal amount plus accrued interest, declining to par on and after October 15, 2009. Interest on the 2010 Secured Notes is payable semiannually in April and

October of each year. The 2010 Secured Notes are secured by a first priority lien on all collateral securing the Senior Credit Facilities as described above (other than capital stock of Huntsman International's first-tier foreign subsidiaries), shared equally with the lenders on the Senior Credit Facilities, subject to certain inter-creditor arrangements. The 2010 Secured Notes contain covenants relating to the incurrence of debt and limitations on distributions, certain restricted payments, asset sales and affiliate transactions and are guaranteed by the Guarantors. The indentures governing the 2010 Secured Notes also contain provisions requiring us to offer to repurchase the notes upon a change of control.

Senior Notes

As of December 31, 2008, we had outstanding $198 million ($300 million original aggregate principal amount) of 11.5% senior notes due 2012 (the "2012 Senior Notes"). Interest on the 2012 Senior Notes is payable semiannually in January and July of each year. The 2012 Senior Notes are currently redeemable at 105.75% of the principal amount plus accrued interest, declining ratably to par on and after July 15, 2010. The 2012 Senior Notes are unsecured obligations. The indentures governing our 2012 Senior Notes contain covenants, among other things, relating to the incurrence of debt and limitations on distributions and certain restricted payments, asset sales and affiliate transactions and are guaranteed by the Guarantors. The indentures governing the 2012 Senior Notes contain provisions requiring us to offer to repurchase the notes upon a change of control.

Subordinated Notes

As of December 31, 2008, we had outstanding $175 million 7.375% senior subordinated notes due 2015 and €135 million (approximately $191 million) 7.5% senior subordinated notes due 2015 (collectively, the "2015 Subordinated Notes"). The 2015 Subordinated Notes are redeemable on or after January 1, 2010 at 103.688% and 103.750%, respectively, of the principal amount plus accrued interest, declining ratably to par on and after January 1, 2013.

As of December 31, 2008, we had outstanding €400 million (approximately $567 million) 6.875% senior subordinated notes due 2013 (the "2013 Subordinated Notes") and $347 million aggregate principal amount ($352 million book value) under our 7.875% senior subordinated notes due 2014 (the "2014 Subordinated Notes"). The 2013 Subordinated Notes are redeemable on or after November 15, 2009 at 105.156% of the principal amount plus accrued interest, declining ratably to par on or after November 15, 2012. The 2014 Subordinated Notes are redeemable on or after November 15, 2010 at 103.938% of the principal amount plus accrued interest, declining ratably to par on or after November 15, 2012.

Interest on the 2015 Subordinated Notes is payable semiannually in January and July of each year. Interest on the 2013 Subordinated Notes and the 2014 Subordinated Notes is payable semiannually in November and May of each year. All of our subordinated notes are unsecured. The indentures governing our subordinated notes contain covenants relating, among other things, to the incurrence of debt and limitations on distributions, certain restricted payments, asset sales and affiliate transactions. Our subordinated notes are guaranteed by the Guarantors. The indentures also contain provisions requiring us to offer to repurchase the notes upon a change of control.

In February 2007, we closed on a direct private placement of $147 million (included within the total outstanding principal amount of $347 million of 2014 Subordinated Notes) in aggregate principal amount of the 2014 Subordinated Notes. These notes were issued at a premium of 104% of principal amount for a yield of 7.01%. We used the net proceeds of $152 million to redeem all (approximately €114 million) of our remaining outstanding euro denominated 10.125% senior subordinated notes due 2009, which were called for redemption on March 27, 2007 at a call price of 101.688% plus accrued interest.

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Convertible Notes

Pursuant to the Settlement Agreement on December 23, 2008, we issued $250 million in Convertible Notes (recorded at $235 million fair value). The Convertible Notes will be convertible at any time, at the option of the holder, at an initial conversion rate of 127.275 shares of our common stock per $1,000 principal amount of Convertible Notes (which is equal to an initial conversion price of $7.857 per share), subject to specified anti-dilution adjustments. The Convertible Notes will bear interest at the rate of 7% per year payable semi-annually on January 1 and July 1 of each year, beginning on July 1, 2009. Interest is payable either in cash or, at our option, in shares of our common stock having a market value at that time equal to the interest payment. The Convertible Notes are our senior unsecured obligations and are not guaranteed by any of our subsidiaries, including Huntsman International.

The Convertible Notes will mature on December 23, 2018. At maturity, we may, at our option, pay the principal amount of the Convertible Notes in shares of our common stock having a market value at that time equal to the principal amount of the Convertible Notes, plus an amount equal to the underwriting spread of a nationally-recognized underwriter chosen by us that would be paid by a seller of the shares at such time.

We may redeem the Convertible Notes in whole, for cash, at the principal amount of the Convertible Notes plus accrued and unpaid interest, at any time on or after December 23, 2011 if the closing price of our common stock, for at least 20 consecutive trading days prior to the notice of redemption, exceeds 135% of the conversion price in effect at that time.

Upon occurrence of certain change of control events, the holders of the Convertible Notes may require us to redeem all or any portion of the holders' Convertible Notes at the principal amount plus accrued and unpaid interest.

Other Debt

We maintain a $25 million European Overdraft Facility that is a demand facility used for the working capital needs for our European subsidiaries ("European Overdraft Facility"). As of December 31, 2008 and December 31, 2007, we had $16 million and $15 million U.S. dollar equivalents, respectively, in borrowings outstanding under the European Overdraft Facility. We also maintain other foreign overdraft facilities used for working capital needs.

HPS obtained secured loans for the construction of its MDI production facility. This debt consists of various committed loans. As of December 31, 2008, HPS had $25 million outstanding in U.S. dollar borrowings and 672 million in RMB borrowings (approximately $98 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 December 31, 2008, the interest rate was approximately 3.1% for U.S. dollar borrowings and 6.5% for RMB borrowings. The loans are secured by substantially all the assets of HPS and will be repaid in 16 semiannual installments (which began on June 30, 2007). We have guaranteed 70% of any amount due and unpaid by HPS under the loans described above (except for the VAT facility, which is not guaranteed). Our guarantees remain in effect until HPS has met certain conditions. The conditions outstanding include completion of the building and equipment mortgage registrations, which are progressing as planned, and maintaining a debt service coverage ratio of at least 1.5:1 at the time such registrations are completed. Our Chinese MDI joint ventures are unrestricted subsidiaries under the Senior Credit Facilities and under the indentures governing our outstanding notes.

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On October 22, 2008, HPS entered into a loan facility for the purpose of discounting commercial drafts with recourse. The facility has a stated capacity discounting up to CNY500 million (approximately $73 million) and drafts are discounted using a discount rate of 3-months Shanghai Inter-Bank Offer Rate (SIBOR) plus 4.2%. As of December 31, 2008, the all-in discount rate was 6.39%. As of December 31, 2008, HPS has discounted with recourse CNY500 million (approximately $73 million) of commercial drafts. While the facility has a maturity of July 24, 2009, the lender has the right to accept or reject drafts presented for discounting.

Our Australian subsidiaries maintain credit facilities that had an aggregate outstanding balance of A$59 million (approximately $41 million) as of December 31, 2008 ($30 million of which is classified as current portion of long term debt). These facilities are nonrecourse to Huntsman International and bear interest at the Australian index rate plus a margin of 2.4%. As of December 31, 2008, the interest rate for these facilities was 7.0%. The Australian credit facilities mature in May 2010.

We finance certain insurance premiums and, as of December 31, 2008 and 2007, we had outstanding notes payable in the amount of $23 million and $27 million, respectively. Insurance premium financings are generally secured by the unearned premiums under such policies.

On June 30, 2008, our subsidiary, Huntsman (UK) Limited, entered into a $125 million short term committed revolving credit facility maturing on June 28, 2009 (the "Short Term Revolving Facility"). In connection with an amendment to the A/R Securitization Program on November 13, 2008, we terminated the short term committed revolving credit facility of our subsidiary, Huntsman (UK) Limited, of which nothing was drawn. See "Note 16. Securitization of Accounts Receivable" to our consolidated financial statements included elsewhere in this report.

Notes Payable from Huntsman International to Huntsman Corporation

Under an existing promissory note, as of December 31, 2008 we lent $423 million to our subsidiary, Huntsman International, which funds were used by Huntsman International to repay borrowings outstanding under the Revolving Facility. This demand note is unsecured and is classified as current on the consolidated balance sheets included elsewhere in this report. As of December 31, 2008, under the terms of the note, Huntsman International promises to pay us interest on the unpaid principal amount thereof in like money at a rate per annum not to exceed 25 basis points (0.25%) less than the then current revolving loan U.S. LIBOR-based borrowing as defined by the Revolving Facility. On January 6, 2009, the interest rate was amended to a rate per annum based on the previous monthly average borrowing rate obtained under our A/R Securitization Program for U.S. dollar outstandings less 10 basis points. Notwithstanding the foregoing, the rate shall not exceed an amount that is 25 basis points less than the monthly average borrowing rate obtained for the U.S. LIBOR-based borrowings under the Revolving Facility. With our consent the principal and accrued interest outstanding under this Note may also be forgiven or capitalized or satisfied with any alternate form of consideration.

Compliance with Covenants

Our management believes that we are in compliance with the covenants contained in the agreements governing our debt instruments, including our Senior Credit Facilities, our A/R Securitization Program and the indentures governing our notes.

We have only one financial covenant under our Senior Credit Facilities (the "Leverage Covenant"), which applies to our $650 million Revolving Facility. At any time loans or letters of credit are outstanding under our Revolving Facility, the Leverage Covenant requires that Huntsman International maintain a net secured debt to EBITDA ratio of 3.75 to 1 (as defined in the applicable agreement, the "Secured Leverage Ratio").

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If in the future we were not able to meet the Secured Leverage Ratio, unless we obtained an amendment or waiver (as to which we can provide no assurance), then, for so long as we did not meet the Secured Leverage Ratio, we would not have access to the liquidity otherwise available under our Revolving Facility. If we failed to meet the Secured Leverage Ratio at a time when we had loans or letters of credit outstanding under the Revolving Facility, we would be in default under our Senior Credit Facilities, and, unless we obtained a waiver or forbearance with respect to such default (as to which we can provide no assurance), we would be required to pay off the balance of our Senior Credit Facilities in full and would not have further access to such facilities.

The agreements governing our $575 million A/R Securitization Program also contain certain financial covenants. Any material failure to meet the A/R Securitization Program covenants in the future could lead to an event of default under the A/R Securitization Program, which could require us to cease our use of such facility. Under these circumstances, unless any default was remedied or waived, we would likely lose the ability to obtain financing with respect to our trade receivables. A material default under the A/R Securitization Program would also constitute an event of default under our Senior Credit Facilities, which could require us to pay off the balance of the Senior Credit Facilities in full and could result in the loss of our Senior Credit Facilities.

Short-Term and Long-Term Liquidity

During December 2008, pursuant to the Settlement Agreement, Hexion, Apollo and their affiliates paid us $1 billion (including the proceeds from the sale of the Convertible Notes). Prior to our receipt of such proceeds under the Settlement Agreement, we were highly dependent on our credit facilities and other debt instruments to provide liquidity for our operations and working capital needs. While we remain dependent upon our credit facilities and other debt instruments to meet our liquidity needs, as of December 31, 2008, we had $662 million of cash and restricted cash. We used $423 million of the Settlement Agreement proceeds to repay the Revolving Facility in full as of December 31, 2008.

As of December 31, 2008, we had $1,291 million of combined cash and unused borrowing capacity, consisting of the following:

- $662 million in cash and restricted cash;
- $618 million in availability under our Revolving Facility;
- $9 million attributable to our European Overdraft Facility; and
- $2 million in availability under our A/R Securitization Program.

Our liquidity can be significantly impacted by changes in working capital. For the year ended December 31, 2008, our accounts receivable and inventory, net of accounts payable in 2008, increased by $42 million, as reflected on our consolidated statement of cash flows included elsewhere in this report. We expect volatility to continue in our working capital components in 2009. We have various restructuring programs ongoing and we expect to spend approximately $125 million related to our restructuring plans during 2009. For a discussion of restructuring, impairment and plant closing costs, see "Note 11. Restructuring, Impairment and Plant Closing Costs" to our consolidated financial statements included elsewhere in this report.

During 2009 we expect to spend approximately $230 million in capital expenditures as compared to $418 million for the year ended December 31, 2008. We expect to fund our restructuring and capital expenditures through a combination of available cash, cash flows from operations and financing arrangements.

We currently have $205 million classified as current portion of long-term debt. For more information, see "Note 14. Debt" to our consolidated financial statements included elsewhere in this report. As of December 31, 2008, our current portion of long-term debt includes various short term

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facilities, including but not limited to our HPS draft discounting facility in China that had amounts outstanding of $73 million, our Australian credit facilities of $30 million and our insurance premium financings of $23 million. Although we can make no assurances, we currently intend to extend these debt instruments beyond their stated maturities.

On April 29, 2006, we experienced fire damage at our Port Arthur, Texas facility. This facility has been subsequently rebuilt and sold. In connection with this fire damage, we have received partial insurance proceeds to date of $365 million, of which $40 million was received in December 2008. We have claimed an additional $235 million as of December 31, 2008 as presently due and owing and unpaid under our insurance policies, and anticipate filing additional claims. The settlement of insurance claims will continue during 2009. Any anticipated additional net recoveries are expected to be used to repay secured debt. See "Note 22. Commitments and Contingencies Port Arthur Plant Fire Insurance Litigation" and "Note 24. Casualty Losses and Insurance Recoveries Port Arthur, Texas Plant Fire" to our consolidated financial statements included elsewhere in this report.

During the first half of 2009, we expect to complete our acquisition of the Baroda Textile Effects (India) ("Baroda") division of Metrochem Industries, Ltd, subject to certain conditions being met. We estimate the purchase price, including certain working capital positions, to be approximately $29 million (U.S. dollar equivalents), pursuant to a non-binding agreement in principle between Baroda and our Company. This purchase price excludes from working capital the receivables existing on the closing date due to Baroda from our affiliates, which will be settled in the ordinary course. We believe that the majority of the purchase price will be funded through local Indian financing.

As of December 31, 2008, the amount outstanding under our A/R Securitization Program was $446 million compared with $428 million at December 31, 2007. This program was amended in November 2008 and was extended through November 2009. This facility fluctuates in capacity depending on the program's eligible receivables base which is influenced by such factors as market demand, pricing and foreign currency rates. Although we can make no assurances, we intend to extend the A/R Securitization Program beyond its stated term. See "Note 16. Accounts Receivable Securitization Program" to our consolidated financial statements included elsewhere in this report.

Contractual Obligations and Commercial Commitments

Our obligations under long-term debt (including the current portion), lease agreements and other contractual commitments as of December 31, 2008 are summarized below (dollars in millions):

	2009	2010-2011	2012-2013	After 2013	Total
Long-term debt, including current portion	$205	$ 413	$ 825	$ 2,439	$3,882
Interest(1)	218	376	260	133	987
Operating leases	47	84	60	96	287
Purchase commitments(2)	157	183	113	75	528
Total(3)(4)	$627	$ 1,056	$ 1,258	$ 2,743	$5,684

(1) Interest calculated using interest rates as of December 31, 2008 and contractual maturity dates.

(2) We have various purchase commitments extending through 2023 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 2009. 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

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is variable based upon market prices, subject to annual negotiations. We have estimated our contractual obligations by using the terms of our 2008 pricing for each contract. We also have a limited number of contracts which require a minimum payment even if no volume is purchased. 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 contributions to our pension and postretirement plans are as follows (dollars in millions).

	2009	2010-2011	2012-2013	5-Year Average Annual
Pension plans	$143	$ 318	$ 296	$ 132
Other postretirement obligations	13	27	26	12

(4)
The above table does not reflect expected tax payments and unrecognized tax benefits due to the inability to make a reasonably reliable estimate of the timing and amount to be paid. For additional discussion on unrecognized tax benefits, see "Note 20. Income Taxes" to our consolidated financial statement included elsewhere in this report.

Off-Balance Sheet Arrangements

Receivables Securitization

For a discussion of our A/R Securitization Program, see "Note 16. Securitization of Accounts Receivable" to our consolidated financial statements included elsewhere in this report.

Guarantees

On September 19, 2003, SLIC obtained secured financing for the construction of production facilities. SLIC obtained various committed loans in the aggregate amount of approximately $230 million in U.S. dollar equivalents. As of December 31, 2008, there were $68 million and RMB 840 million (approximately $123 million) in outstanding borrowings under these facilities. The interest rate on these facilities is LIBOR plus 0.48% for U.S. dollar borrowings and 90% of the Peoples Bank of China rate for RMB borrowings. The loans are secured by substantially all the assets of SLIC and will be paid in 16 semiannual installments (of which 13 installments remain), which began on June 30, 2007. We unconditionally guarantee 35% of any amounts due and unpaid by SLIC under the loans described above (except for the VAT facility which is not guaranteed). Our guarantee remains in effect until SLIC has met certain conditions. The conditions outstanding include completion of the building and equipment mortgage registrations, which are progressing as planned, and maintaining a debt service coverage ratio of at least 1:1 at the time such registrations are completed. We have estimated that the fair value of this guarantee is nil as of the closing of the transaction and, accordingly, no amounts have been recorded.

Our unconsolidated Saudi Arabia joint venture with Zamil Group obtained various loan commitments in the aggregate amount of approximately $195 million in U.S. dollar equivalents, of which $45 million was drawn under a short term bridge loan facility as of December 31, 2008. We have provided certain guarantees of approximately $14 million for these commitments, and our guarantees will terminate upon completion of the project and satisfaction of certain other conditions. We have estimated that the fair value of such guarantees was nil as of the closing date of this transaction and, accordingly, no amounts have been recorded. In connection with the funding of this joint venture, in December 2008 one of our subsidiaries obtained financing from a Saudi bank of approximately $10 million U.S. dollar equivalents for a portion of our share of our equity contribution previously made.

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Restructuring, Impairment and Plant Closing Costs

For a discussion of restructuring, impairment and plant closing costs, see "Note 11. Restructuring, Impairment and Plant Closing Costs" to our consolidated financial statements included elsewhere in this report.

Legal Proceedings

For a discussion of legal proceedings, see "Note 22. Commitments and Contingencies Legal Matters" to our consolidated financial statements included elsewhere in this report.

Environmental, Health and Safety Matters

For a discussion of environmental, health and safety matters, see "Note 23. Environmental, Health and Safety Matters" to our consolidated financial statements included elsewhere in this report.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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. Summary of Significant Accounting Policies" to our consolidated financial statements included elsewhere in this report. Summarized below are our critical accounting policies:

Casualty Losses and Insurance Recoveries

PORT ARTHUR, TEXAS PLANT FIRE

On April 29, 2006, our Port Arthur, Texas olefins manufacturing plant (which we sold in November 2007) experienced a major fire. With the exception of cyclohexane operations at the site, which were restarted in June 2006, the operations at the site were shutdown until the fourth quarter of 2007. The Port Arthur manufacturing plant is covered by property damage and business interruption insurance. With respect to coverage for this outage, the deductible for property damage is $10 million and business interruption coverage does not apply for the first 60 days, subject to a combined deductible for property damage and business interruption of $60 million.

Through December 31, 2008, we received partial recovery advances on this loss totaling $365 million, including $40 million received in December 2008. We have claimed an additional approximately $235 million as of December 31, 2008, as presently due and owing and unpaid under the insurance policy for losses caused by the fire, and anticipate filing additional claims. On December 29, 2008, we reached a partial settlement with certain of the Reinsurers (the "Partial Fire Insurance Settlement") whereby we received a partial claim reimbursement of $40 million and we and the Reinsurers agreed to dismiss all legal suits arising from this insured loss and to participate in non-binding mediation scheduled to occur in February 2009 and, if the non-binding mediation is not successful, in binding arbitration targeted to occur in the later half of 2009. Also as part of the Partial Fire Insurance Settlement, the Reinsurers that are parties to such agreement agreed that none of their respective portion, or $340 million of the $365 million of partial recovery advances received to date are refundable (those insurers representing the other $25 million portion received to date were not required to enter into this agreement because their coverage limits had been exhausted at much lower levels).

Through December 31, 2008, we had recorded $190 million of repair and maintenance costs and fixed costs incurred during the business interruption period and had recognized in earnings a corresponding amount of the partial recovery amounts. Prior to the Partial Fire Insurance Settlement, we had deferred recognition of the gain associated with partial recovery advances and these amounts were included in accrued liabilities on the accompanying consolidated balance sheets. As a result of the Partial Fire Insurance Settlement, we recognized a gain of $175 million in the fourth quarter of 2008 which represented all previously deferred insurance recovery gain amounts. The following table describes changes to the deferred insurance recovery gain during the years ended December 31, 2008, 2007 and 2006 (dollars in millions):

	2008	2007	2006
Balance at January 1	$ 137	$ 94	$
Insurance recovery advances	40	175	150
Incurrence of repair and maintenance costs during the period	(2)	(52)	(17)
Incurrence of fixed costs during the business interruption period		(80)	(39)
Recognition of deferred gain in connection with the Partial Fire Insurance Settlement	(175)		
Balance as of December 31	$	$ 137	$ 94

Future collections on this insured loss, if any, will represent additional income for us upon final settlement.

2005 U.S. GULF COAST STORMS

On September 22, 2005, we sustained property damage at our Port Neches and Port Arthur, Texas facilities as a result of a hurricane. We maintain customary insurance coverage for property damage and business interruption. With respect to coverage of these losses, the deductible for property damage was $10 million per site, while business interruption coverage does not apply for the first 60 days.

During 2007 and 2006, we received insurance recovery advances of $38 million related to the 2005 Gulf Coast storms. On December 12, 2008, the insurers agreed to pay an additional $3 million of insurance recovery advances related to the 2005 Gulf Coast storms, of which $2 million was received as of December 31, 2008. We and our insurers are working to reach a settlement on the remainder of the insurance claim, and we can provide no assurance with respect to the ultimate resolution of this matter. Any future collections will represent income for us upon final settlement.

Fair Value of Convertible Notes

Pursuant to the Settlement Agreement, on December 23, 2008, we issued $250 million of our Convertible Notes to Apollo affiliates under the Note Purchase Agreement. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, and the guidance included in FASB Staff Position ("FSP") No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, we recorded these Convertible Notes in our accounting records at a fair value of $235 million.

We primarily used the income approach to determine the fair value of the Convertible Notes. Fair value is based on the present value of estimated future cash flows, calculated using management's best estimates of key assumptions including relevant interest rates, expected share volatility, dividend yields, and the probabilities associated with certain features of the Convertible Notes. We also used the

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market approach to assess comparables and corroborate the fair value determined using the income approach.

Management used judgment with respect to assumptions used in estimating the fair value of the Convertible Notes. The effect of the following changes in certain key assumptions is summarized as follows (dollars in millions):

Assumptions	Balance Sheet Impact(1)
Expected volatility	
10% increase	6
10% decrease	(7)
Effective market yield	
1% increase	(6)
1% decrease	6

(1) Estimated increase (decrease) to December 31, 2008 fair value of Convertible Notes

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. The transfer of risk and title to the product to the customer usually occurs at the time shipment is made.

Revenue arrangements that contain multiple deliverables, which relate primarily to the licensing of technology, are evaluated in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, to determine whether the arrangements should be divided into separate units of accounting and how the arrangement consideration should be measured and allocated among the separate units of accounting.

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 33 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.

Management uses judgment to estimate the useful lives of our long-lived assets. If the useful lives of our property, plant and equipment as of December 31, 2008 were to have been estimated to be one year greater or one year less, then depreciation expense for the year ended December 31, 2008 would have been approximately $24 million less or $28 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 asset groups to the carrying value. Key assumptions in determining the future cash flows include the useful life, technology, competitive pressures, raw material pricing and regulations.

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Goodwill

We review our goodwill for impairment annually, at the beginning of the third quarter, and when events and circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Goodwill has been assigned to reporting units for purposes of impairment testing. Substantially all of our goodwill balance relates to our advanced materials business, a reporting unit within our Materials and Effects segment.

Fair value is estimated using the market approach, as well as the income approach based on discounted cash flow projections. The estimated fair values of our reporting units are dependent on several significant assumptions including, among others, market information, operating results, earnings projections and anticipated future cash flows.

We previously tested goodwill for impairment at the beginning of the third quarter of 2008 as part of the annual impairment testing procedures and determined that no goodwill impairment existed. Since our annual impairment testing procedures, our market capitalization has declined below the net book value of our company. We have evaluated the movement in our stock price as it relates to the fair values of our reporting units. Based on this evaluation, we determined that we did not have a triggering event in the fourth quarter that would require an interim goodwill impairment test.

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. Also in connection with the Textile Effects Acquisition, we recorded liabilities for workforce reduction, non-cancelable lease termination costs and demolition, decommissioning and other restructuring costs. Estimates for plant closing costs 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. For further discussion of our restructuring activities, see "Note 11. Restructuring, Impairment and Plant Closing Costs" to our consolidated financial statements included elsewhere in this report.

Income Taxes

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

We do not provide for income taxes or benefits on the undistributed earnings of our non-U.S. subsidiaries as earnings are reinvested and, in the opinion of management, will continue to be reinvested indefinitely.

We adopted FIN 48, *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109, on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance SFAS No. 109, *Accounting for Income Taxes*, by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The application of income tax law is inherently complex. We are required to determine if an income tax position meets the criteria of more-likely-than-not to be realized based on the merits of the position under tax laws, in order to recognize an income tax benefit. This requires us to make many assumptions and judgments regarding merits of income tax positions and the application of income tax law. Additionally, if a tax position meets the recognition criteria of more-likely-than-not we are required to make judgments and assumptions to measure the amount of the tax benefits to recognize based on the probability of the amount of tax benefits that would be realized if the tax position was challenged by the taxing authorities. Interpretations and guidance surrounding income tax laws and regulations change over time. As a consequence, changes in assumptions and judgments can materially affect amounts recognized in the consolidated financial statements.

Employee Benefit Programs

We sponsor several contributory and non-contributory defined benefit plans, covering employees primarily in the U.S., the U.K., the Netherlands, Belgium and Switzerland, but also covering employees in a number of other countries. We fund the material plans through trust arrangements (or local equivalents) where the assets are held separately from us. We also sponsor unfunded postretirement 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. Employee Benefit Plans" to our consolidated financial statements included elsewhere in this report.

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):

Assumptions	Statement of Operations(1)	Balance Sheet Impact(2)
Discount rate		
1% increase	$ (16)	$ (364)
1% decrease	23	422
Expected return on assets		
1% increase	(27)	
1% decrease	27	
Rate of compensation increase		
1% increase	18	100
1% decrease	(13)	(93)

(1) Estimated increase (decrease) on 2008 net periodic benefit cost

(2) Estimated increase (decrease) on December 31, 2008 pension and postretirement liabilities and accumulated other comprehensive (loss) income

Stock-Based Compensation Plans

Management uses judgment in determining assumptions used in the Black-Scholes valuation model to estimate fair value of its stock-based compensation plans. Because we did not have stock-based compensation plans prior to our initial public offering of common stock in February 2005, our ability to use historical experience for assumptions related to stock-based compensation plans has been limited.

As of December 31, 2008, the effect of a 10% change in expected volatility and expected life of stock options granted would not be significant to our statements of operations or balance sheets.

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. Environmental, Health and Safety Matters" to our consolidated financial statements included elsewhere in this report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

All derivatives, whether designated in hedging relationships or not, are recorded on our balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged items are recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in accumulated other comprehensive (loss) income, to the extent effective, and will be recognized in the income statement when the hedged item affects earnings. To the extent applicable, we perform effectiveness assessments in order to use hedge accounting at each reporting period. For a derivative that does not qualify as a hedge, changes in fair value are recognized in earnings.

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

INTEREST RATE RISKS

Through our borrowing activities, we are exposed to interest rate risk. Such risk arises due to the structure of our debt portfolio, including the duration of the portfolio and the mix of fixed and floating interest rates. Actions taken to reduce interest rate risk include managing the mix and rate characteristics of various interest bearing liabilities, as well as entering into interest rate derivative instruments.

From time to time, we may purchase interest rate swaps and/or interest rate collars to reduce the impact of changes in interest rates on our floating-rate long-term debt. Under interest rate swaps, we agree with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount. The collars entitle us to receive from the counterparties (major banks) the amounts, if any, by which our interest payments on certain of our floating-rate borrowings exceed a certain rate, and require us to pay to the counterparties (major banks) the amount, if any, by which our interest payments on certain of our floating-rate borrowings are less than a certain rate.

Interest rate contracts were recorded as a component of other noncurrent liabilities as of December 31, 2008 and 2007. The effective portion of the changes in the fair value of the swaps were recorded in accumulated other comprehensive (loss) income, with any ineffectiveness recorded in interest expense. As of December 31, 2008 and 2007, the fair value of these contracts was not significant. As of December 31, 2008 and 2007, the contracts had a notional amount of $13 million and $14 million, respectively, and a maturity date of 2010 each.

For the years ended December 31, 2008 and 2007, the changes in accumulated other comprehensive (loss) income associated with cash flow hedging activities were not considered significant.

On July 2, 2007, we let expire an interest rate contract of notional amount of $60 million pursuant to which we had swapped LIBOR interest for a fixed rate of 4.315%.

During 2009, interest expense of approximately nil is expected to be reclassified to earnings. The actual amount that will be reclassified to earnings over the next twelve months may vary from this amount due to changing market conditions. We are exposed to credit losses in the event of nonperformance by a counterparty to the derivative financial instruments. We anticipate, however, that the counterparties will be able to fully satisfy obligations under the contracts. Market risk arises from changes in interest rates.

FOREIGN EXCHANGE RATES RISK

Our cash flows and earnings are subject to fluctuations due to exchange rate variation. Our revenues and expenses are denominated in various currencies. From time to time, we may enter into foreign currency derivative instruments to minimize the short-term impact of movements in foreign currency rates. Where practicable, we generally net multicurrency cash balances among our subsidiaries to help reduce exposure to foreign currency exchange rates. Certain other exposures may be managed from time to time through financial market transactions, principally through the purchase of spot or forward foreign exchange contracts (generally with maturities of one year or less). We do not hedge our currency exposures in a manner that would eliminate the effect of changes in exchange rates on our cash flows and earnings. Our A/R Securitization Program in certain circumstances requires that we enter into forward foreign currency hedges intended to hedge currency exposures. As of December 31, 2008 and December 31, 2007, we had no forward currency hedges outstanding.

On January 15, 2008, we entered into a series of forward foreign currency contracts in our Pigments segment to partially hedge the impact, for up to one year, of movements in foreign currency rates associated with the purchases of raw materials and sales of pigment in non-functional currencies. As of December 31, 2008, these contracts had a notional amount of approximately $9 million and were designated as cash flow hedges. As of December 31, 2008, the fair value of these contracts was not considered significant. For the year ended December 31, 2008, the effective portion of the changes in the fair value was not significant with ineffectiveness of $1 million recorded as a decrease in sales, $1 million recorded as a reduction in cost of sales and a foreign currency loss of $1 million.

On October 24, 2008, we unwound a cross currency interest rate swap pursuant to which we had swapped $153 million of LIBOR floating rate debt payments for €116 million of EURIBOR floating rate debt payments. This swap was not designated as a hedge for financial reporting purposes. For the years ended December 31, 2008 and 2007, we recorded a foreign currency gain (loss) on this swap of $21 million and ($17) million, respectively, in the consolidated statement of operations, included elsewhere in this report.

On October 24, 2008, we unwound a cross currency interest rate swap pursuant to which we had swapped $96 million of LIBOR floating rate debt payments for €71 million of EURIBOR floating rate debt payments. This swap was designated as a hedge of a net investment for financial reporting purposes. We received a cash benefit from the unwind of $3 million in the fourth quarter of 2008. For the years ended December 31, 2008 and 2007, the effective portion of the changes in the fair value of $14 million and ($8) million, respectively, was recorded as income (loss) in other comprehensive (loss) income, with ineffectiveness of $2 million and nil, respectively, recorded in interest expense in the consolidated statement of operations included elsewhere in this report.

On July 12, 2007, we unwound a cross currency interest rate swap pursuant to which we had swapped $31 million of 11.0% fixed rate debt for €25 million of 9.4% fixed rate debt. The swap was not designated as a hedge for financial reporting purposes. We recorded an unrealized foreign currency loss on this swap of $2 million and $3 million, respectively, in our consolidated statements of operations included elsewhere in this report, for the years ended December 31, 2007 and 2006.

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

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

From time to time, we review our non-U.S. dollar denominated debt and swaps to determine the appropriate amounts designated as hedges. As of December 31, 2008, we have designated approximately €205 million of euro-denominated debt as a hedge of our net investments. As of December 31, 2008, we had approximately €961 million in net euro assets.

COMMODITY PRICES RISK

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 many of our finished products are at market related prices which are largely set on a monthly or quarterly basis in line with industry practice. Consequently, we do not generally hedge our commodity exposures.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements required by this item are included on the pages immediately following the Index to Consolidated Financial Statements appearing on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in our independent accountants, Deloitte & Touche LLP, or disagreements with them on matters of accounting or financial disclosure.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of December 31, 2008. Based on this evaluation, our chief executive officer and chief financial officer have concluded that, as of December 31, 2008, our disclosure controls and procedures were effective, in that they ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in

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the SEC's rules and forms, and (2) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

No changes to our internal control over financial reporting occurred during the quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control framework and processes for our Company and Huntsman International are designed to provide reasonable assurance to management, Huntsman International's Board of Managers and our Board of Directors regarding the reliability of financial reporting and the preparation of our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting for our Company and Huntsman International includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our Company and Huntsman International;

- provide reasonable assurance that transactions are recorded properly to allow for the preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of our Company and Huntsman International are being made only in accordance with authorizations of management and Directors of our Company and Huntsman International;

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements; and

- provide reasonable assurance as to the detection of fraud.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changing conditions, effectiveness of internal control over financial reporting may vary over time.

Our management assessed the effectiveness of our internal control over financial reporting for our Company and Huntsman International and concluded that, as of December 31, 2008, such internal control is effective. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework* ("COSO").

Our independent registered public accountants, Deloitte & Touche LLP, with direct access to our Board of Directors through our Audit Committee, have audited the consolidated financial statements prepared by our Company and Huntsman International and have issued attestation reports on internal control over financial reporting for our Company and Huntsman International.

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MANAGEMENT'S PROCESS TO ASSESS THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

To comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we completed a comprehensive compliance process to evaluate our internal control over financial reporting for our Company and Huntsman International. We involved employees at all levels of our Company during 2008 in training, performing and evaluating our internal controls.

Our management's conclusion on the effectiveness of internal control over financial reporting is based on a comprehensive evaluation and analysis of the five elements of COSO. Our management considered information from multiple sources as the basis its conclusion including self-assessments of the control activities within each work process, assessments of entity-level controls and internal control attestations from significant nonconsolidated joint ventures and external service providers, as well as from key management. In addition, our internal control processes contain self-monitoring mechanisms, and proactive steps are taken to correct deficiencies as they are identified. We also maintain an internal auditing program that independently assesses the effectiveness of internal control over financial reporting within each of the five COSO elements.

/s/ PETER R. HUNTSMAN	/s/ J. KIMO ESPLIN
Peter R. Huntsman *President and Chief Executive Officer*	J. Kimo Esplin *Executive Vice President and Chief Financial Officer*
/s/ L. RUSSELL HEALY	
L. Russell Healy *Vice President and Controller*	

February 24, 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Huntsman Corporation and subsidiaries

We have audited the internal control over financial reporting of Huntsman Corporation and subsidiaries (the "Company") as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2008 of the Company and our report dated February 25, 2009 expressed an unqualified opinion on those financial statements and financial statement schedules and included an explanatory paragraph regarding the Company's adoption of

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certain provisions of FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pensions and Other Postretirement Plans*, on January 1, 2008.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 25, 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Managers and Members of
Huntsman International LLC and subsidiaries

We have audited the internal control over financial reporting of Huntsman International LLC and subsidiaries (the "Company") as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting.* Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2008 of the Company and our report dated February 25, 2009 expressed an unqualified opinion on those financial statements and financial statement schedules and included an explanatory paragraph regarding the Company's adoption of certain provisions of

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FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pensions and Other Postretirement Plans*, on January 1, 2008.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 25, 2009

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to our Directors (including identification of our Audit Committee's financial expert(s)) and executive officers is contained in the definitive Proxy Statement for our Annual Meeting of Stockholders or in an amendment to this report and is incorporated herein by reference. See also the information regarding executive officers of the registrant set forth in Part I under the caption "Executive Officers of the Registrant" in reliance on General Instruction G to Form 10-K.

Code of Ethics

Our Company has adopted a code of ethics, as defined by Item 406(b) of Regulation S-K under the Exchange Act, that applies to our principal executive officer, principal financial officer and principal accounting officer or controller. A copy of the code of ethics is posted on our website, at www.huntsman.com. We intend to disclose any amendments to, or waivers from, our code of ethics on our website.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation and our equity compensation plans is contained in the definitive Proxy Statement for our Annual Meeting of Stockholders or in an amendment to this report and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to beneficial ownership of our common stock by each Director and all Directors and officers of our Company as a group is contained in the definitive Proxy Statement for our Annual Meeting of Stockholders or in an amendment to this report and is incorporated herein by reference.

Information relating to any person who beneficially owns in excess of 5 percent of the total outstanding shares of our common stock is contained in the definitive Proxy Statement for our Annual Meeting of Stockholders or in an amendment to this report and is incorporated herein by reference.

Information with respect to compensation plans under which equity securities are authorized for issuance is contained in the definitive Proxy Statement for our Annual Meeting of Stockholders or in an amendment to this report and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information with respect to certain relationships and related transactions is contained in the definitive Proxy Statement for our Annual Meeting of Stockholders or in an amendment to this report and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to principal accountant fees and services is contained in the definitive Proxy Statement for our Annual Meeting of Stockholders or in an amendment to this filing and is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed with this report.

1. Consolidated Financial Statements:

See Index to Consolidated Financial Statements on page F-1

2. Financial Statement Schedules:

Other than as stated on the Index to Consolidated Financial Statements on page F-1 with respect to Schedule I and Schedule II, financial statement schedules are omitted because they are not required or are not applicable or the required information is shown in the financial statements or notes thereto.

3. Exhibits:

The exhibits to this report are listed on the Exhibit Index below.

(b) Description of exhibits.

Exhibit Index

Please see the Exhibit Index at the conclusion of this Annual Report on Form 10-K for exhibits filed with this Annual Report on Form 10-K or incorporated by reference. The following exhibits, also listed on the Exhibit Index, are filed with this Annual Report on Form 10-K:

Number	Description
21.1	Subsidiaries of the Company
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

Dated: February 26, 2009

HUNTSMAN CORPORATION
HUNTSMAN INTERNATIONAL LLC

By: /s/ J. KIMO ESPLIN

J. Kimo Esplin
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Huntsman Corporation in the capacities indicated on the 26 day of February 2009.

/s/ JON M. HUNTSMAN	/s/ PETER R. HUNTSMAN
Jon M. Huntsman *Executive Chairman of the Board and Director*	Peter R. Huntsman *President, Chief Executive Officer and Director* *(Principal Executive Officer)*
/s/ J. KIMO ESPLIN	/s/ L. RUSSELL HEALY
J. Kimo Esplin *Executive Vice President and* *Chief Financial Officer* *(Principal Financial Officer)*	L. Russell Healy *Vice President and Controller* *(Principal Accounting Officer)*
/s/ H. WILLIAM LICHTENBERGER	/s/ WAYNE A. REAUD
H. William Lichtenberger *Chairman of the Nominating and Corporate* *Governance Committee and Director*	Wayne A. Reaud *Chairman of the Compensation Committee,* *Chairman of the Litigation Committee and Director*
/s/ RICHARD MICHAELSON	/s/ NOLAN D. ARCHIBALD
Richard Michaelson *Chairman of the Audit Committee and Director*	Nolan D. Archibald *Director*
/s/ MARSHA J. EVANS	/s/ ALVIN V. SHOEMAKER
Marsha J. Evans *Director*	Alvin V. Shoemaker *Director*

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Huntsman International in the capacities indicated on the 26 day of February 2009.

/s/ JON M. HUNTSMAN	/s/ PETER R. HUNTSMAN
Jon M. Huntsman *Chairman of the Board of Managers and Manager*	Peter R. Huntsman *President, Chief Executive Officer and Manager (Principal Executive Officer)*
/s/ J. KIMO ESPLIN	/s/ L. RUSSELL HEALY
J. Kimo Esplin *Executive Vice President, Chief Financial Officer and Manager (Principal Financial Officer)*	L. Russell Healy *Vice President and Controller (Principal Accounting Officer)*
/s/ SAMUEL D. SCRUGGS	
Samuel D. Scruggs *Executive Vice President, General Counsel, Secretary and Manager*	

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HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Huntsman Corporation and subsidiaries

We have audited the accompanying consolidated balance sheets of Huntsman Corporation and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations and comprehensive (loss) income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedules listed in the Index on page F-1. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Huntsman Corporation and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 2 and 19 to the consolidated financial statements, the Company adopted certain provisions of FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pensions and Other Postretirement Plans*, on each of December 31, 2006 and January 1, 2008; and FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*, on January 1, 2007.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 25, 2009

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Millions, Except Share and Per Share Amounts)

	December 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 657	$ 154
Restricted cash	5	
Accounts and notes receivable (net of allowance for doubtful accounts of $47 and $43, respectively)	905	1,253
Accounts receivable from affiliates	8	9
Inventories, net	1,500	1,452
Prepaid expenses	45	37
Deferred income taxes	21	73
Other current assets	99	117
Total current assets	3,240	3,095
Property, plant and equipment, net	3,649	3,763
Investment in unconsolidated affiliates	267	228
Intangible assets, net	153	173
Goodwill	92	93
Deferred income taxes	284	350
Notes receivable from affiliates	9	8
Other noncurrent assets	364	456
Total assets	$ 8,058	$ 8,166
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 731	$ 1,005
Accounts payable to affiliates	16	13
Accrued liabilities	617	885
Deferred income taxes	36	3
Current portion of long-term debt	205	69
Total current liabilities	1,605	1,975
Long-term debt	3,677	3,500
Deferred income taxes	117	154
Notes payable to affiliates	6	5
Other noncurrent liabilities	1,021	679
Total liabilities	6,426	6,313
Minority interests in common stock of consolidated subsidiaries	22	27
Commitments and contingencies (Notes 22 and 23)		
Stockholders' equity:		
Common stock $0.01 par value, 1,200,000,000 shares authorized, 234,430,334 and 222,012,474 issued and 233,553,515 and 221,036,190 outstanding in 2008 and 2007, respectively	2	2
Mandatory convertible preferred stock $0.01 par value, 100,000,000 shares authorized, 5,750,000 issued and outstanding at December 31, 2007		288
Additional paid-in capital	3,141	2,831
Unearned stock-based compensation	(13)	(12)
Accumulated deficit	(1,031)	(1,540)
Accumulated other comprehensive (loss) income	(489)	257

Total stockholders' equity	1,610	1,826
Total liabilities and stockholders' equity	$ 8,058	$ 8,166

See accompanying notes to consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(In Millions, Except Share and Per Share Amounts)

	Year ended December 31,		
	2008	**2007**	**2006**
Revenues:			
Trade sales, services and fees	$ 10,117	$ 9,480	$ 8,622
Related party sales	98	171	109
Total revenues	10,215	9,651	8,731
Cost of goods sold	8,951	8,111	7,309
Gross profit	1,264	1,540	1,422
Operating expenses:			
Selling, general and administrative	882	871	761
Research and development	154	145	115
Other operating expense (income)	27	(55)	(114)
Restructuring, impairment and plant closing costs	36	42	15
Total expenses	1,099	1,003	777
Operating income	165	537	645
Interest expense, net	(263)	(286)	(351)
Loss on accounts receivable securitization program	(27)	(21)	(13)
Equity in income of investment in unconsolidated affiliates	14	13	4
Loss on early extinguishment of debt	(1)	(2)	(27)
Income (expenses) associated with the Merger	780	(210)	
Other income	1		2
Income from continuing operations before income taxes and minority interest	669	31	260
Income tax (expense) benefit	(190)	12	50
Minority interest in subsidiaries' (income) loss	(1)	9	(3)
Income from continuing operations	478	52	307
Income (loss) from discontinued operations (including gain (loss) on disposal of $11 in 2008, ($340) in 2007 and ($302) in 2006), net of tax	117	(217)	(133)
Income (loss) before extraordinary gain (loss)	595	(165)	174
Extraordinary gain (loss) on the acquisition of a business, net of tax of nil	14	(7)	56
Net income (loss)	$ 609	$ (172)	$ 230

Net income (loss)	$ 609	$ (172)	$ 230
Other comprehensive (loss) income	(746)	318	149
Comprehensive (loss) income	$ (137)	$ 146	$ 379

(Continued)

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HUNTSMAN CORPORATION AND SUBSIDIARIES

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

(In Millions, Except Share and Per Share Amounts)

	Year ended December 31,		
	2008	2007	2006
Basic income (loss) per share:			
Income from continuing operations	$ 2.06	$ 0.23	$ 1.39
Income (loss) from discontinued operations, net of tax	0.50	(0.98)	(0.60)
Extraordinary gain (loss) on the acquisition of a business	0.06	(0.03)	0.25
Net income (loss)	$ 2.62	$ (0.78)	$ 1.04
Weighted average shares	231,968,936	220,948,495	220,618,478
Diluted income (loss) per share:			
Income from continuing operations	$ 2.04	$ 0.22	$ 1.32
Income (loss) from discontinued operations, net of tax	0.50	(0.93)	(0.57)
Extraordinary gain (loss) on the acquisition of a business	0.06	(0.03)	0.24
Net income (loss)	$ 2.60	$ (0.74)	$ 0.99
Weighted average shares	234,263,249	232,792,291	233,142,373
Dividends per share	$ 0.40	$ 0.40	$

See accompanying notes to consolidated financial statements.

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in Millions)

	Shares								
	Common Stock	**Mandatory convertible preferred stock**	**Common stock**	**Mandatory convertible preferred stock**	**Additional paid-in capital**	**Unearned stock-based compensation**	**Accumulated deficit**	**Accumulated other comprehensive (loss) income**	**Total**
Balance, January 1, 2006	220,451,484	5,750,000	$ 2	$ 288	$ 2,780	$ (12)	$ (1,506)	$ (31)	$ 1,521
Net income							230		230
Other comprehensive income								149	149
Issuance of nonvested stock awards					9	(9)			
Vesting of stock awards	278,531								
Recognition of stock-based compensation					9	8			17
Cumulative effect of adoption of SFAS No. 158, net of tax								(179)	(179)
Repurchase and cancellation of stock awards	(77,586)						(2)		(2)
Balance, December 31, 2006	220,652,429	5,750,000	2	288	2,798	(13)	(1,278)	(61)	1,736
Net loss							(172)		(172)
Other comprehensive income								318	318
Issuance of nonvested stock awards					10	(10)			
Vesting of stock awards	393,555								
Stock options exercised	99,332				2				2
Recognition of stock-based compensation					13	11			24
Repurchase and cancellation of stock awards	(109,126)						(2)		(2)
Dividends declared on common stock							(88)		(88)
Reversal of valuation allowance on deferred tax assets related to previous equity transactions					8				8
Balance, December 31, 2007	221,036,190	5,750,000	2	288	2,831	(12)	(1,540)	257	1,826
Net income							609		609
Other comprehensive loss								(746)	(746)
Issuance of nonvested stock awards					12	(12)			
Vesting of stock awards	594,908				1				1
Recognition of stock-based compensation					9	11			20
Repurchase and cancellation of stock awards	(160,058)						(4)		(4)
Preferred stock conversion	12,082,475	(5,750,000)		(288)	288				
Effect of adoption of SFAS No. 158, net of tax							(3)		(3)
Dividends declared on common stock							(93)		(93)
Balance, December 31, 2008	233,553,515		$ 2	$	$ 3,141	$ (13)	$ (1,031)	$ (489)	$ 1,610

See accompanying notes to consolidated financial statements

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Millions)

	Year ended December 31,		
	2008	2007	2006
Operating Activities:			
Net income (loss)	$ 609	$ (172)	$ 230
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Extraordinary (gain) loss on the acquisition of a business, net of tax	(14)	7	(56)
Equity in income of investment in unconsolidated affiliates	(14)	(13)	(4)
Dividends received from unconsolidated affiliates	11		
Depreciation and amortization	398	413	465
Provision for losses on accounts receivable	6	3	6
Loss on disposal of businesses/assets, net	6	269	209
Loss on early extinguishment of debt	1	2	27
Noncash interest expense	2	5	5
Noncash restructuring, impairment and plant closing costs	7	15	18
Deferred income taxes	202	(203)	(82)
Net unrealized loss (gain) on foreign currency transactions	4	(9)	(42)
Stock-based compensation	20	26	18
Minority interest in subsidiaries' income (loss)	1	(9)	3
Noncash gain on partial fire insurance settlement	(135)		
Other, net	3	(1)	5
Changes in operating assets and liabilities:			
Accounts and notes receivable	263	56	228
Inventories, net	(119)	(74)	(59)
Prepaid expenses	(9)	3	(15)
Other current assets	(1)	53	(51)
Other noncurrent assets	41	(158)	163
Accounts payable	(186)	(148)	22
Accrued liabilities	(64)	(87)	22
Other noncurrent liabilities	(265)	(30)	(220)
Net cash provided by (used in) operating activities	767	(52)	892
Investing Activities:			
Capital expenditures	(418)	(665)	(550)
Acquisition of business, net of cash acquired and post-closing adjustments	(2)	13	(177)
Proceeds from sale of businesses/assets, net of adjustments	(26)	850	895
Investment in unconsolidated affiliates	(44)	(17)	(14)
Cash received from unconsolidated affiliates	10	4	2
Proceeds from maturity of government securities, restricted as to use	4	14	14
Change in restricted cash	(8)		
Other, net	(5)	1	4
Net cash (used in) provided by investing activities	(489)	200	174

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HUNTSMAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in Millions)

	Year ended December 31,		
	2008	2007	2006
Financing Activities:			
Net borrowings (repayments) under revolving loan facilities	$ 11	$ (17)	$ (6)
Net borrowings (repayments) on overdraft facilities and other short-term debt	8	15	(7)
Repayments of long-term debt	(11)	(422)	(1,784)
Proceeds from issuance of long-term debt	336	266	872
Borrowings on notes payable	48	56	74
Repayments of notes payable	(55)	(60)	(63)
Debt issuance costs paid	(5		