

HUNTSMAN INTERNATIONAL LLC
Form 10-Q
August 04, 2011

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[TABLE OF CONTENTS](#)

[Table of Contents](#)

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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from _____ to _____

Commission File Number	Exact Name of Registrant as Specified in its Charter, Principal Office Address and Telephone Number	State of Incorporation or 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

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

Huntsman Corporation YES ☒ NO ☐
Huntsman International LLC YES ☒ NO ☐

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

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Huntsman Corporation YES ☒ NO ☐

Huntsman International LLC YES ☒ NO ☐

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

Huntsman Corporation	Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐
Huntsman International LLC	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐

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

Huntsman Corporation YES ☐ NO ☒

Huntsman International LLC YES ☐ NO ☒

On July 26, 2011, 241,793,529 shares of common stock of Huntsman Corporation were outstanding and 2,728 units of membership interests of Huntsman International LLC were outstanding. There is no established trading market for Huntsman International LLC's units of membership interests. All of Huntsman International LLC's units of membership interests are held by Huntsman Corporation.

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

Table of Contents

**HUNTSMAN CORPORATION AND SUBSIDIARIES
HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD
ENDED JUNE 30, 2011**

TABLE OF CONTENTS

<u>PART I</u>	<u>FINANCIAL INFORMATION</u>	Page
<u>ITEM 1.</u>	<u>Financial Statements:</u>	<u>3</u>
	Huntsman Corporation and Subsidiaries:	<u>3</u>
	<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Equity (Unaudited)</u>	<u>7</u>
	Huntsman International LLC and Subsidiaries:	<u>8</u>
	<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	<u>9</u>
	<u>Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)</u>	<u>10</u>
	<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	<u>12</u>
	<u>Condensed Consolidated Statements of Equity (Unaudited)</u>	<u>12</u>
	Huntsman Corporation and Subsidiaries and Huntsman International LLC and Subsidiaries:	<u>13</u>
	<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>67</u>
<u>ITEM 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>92</u>
<u>ITEM 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>94</u>
<u>ITEM 4.</u>	<u>Controls and Procedures</u>	<u>95</u>
<u>PART II</u>	<u>OTHER INFORMATION</u>	<u>95</u>
<u>ITEM 1.</u>	<u>Legal Proceedings</u>	<u>95</u>
<u>ITEM 1A.</u>	<u>Risk Factors</u>	<u>95</u>
<u>ITEM 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>95</u>
<u>ITEM 6.</u>	<u>Exhibits</u>	<u>96</u>

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****HUNTSMAN CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)****(In Millions, Except Share and Per Share Amounts)**

	June 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents(a)	\$ 683	\$ 966
Restricted cash(a)	7	7
Accounts and notes receivable (net of allowance for doubtful accounts of \$55 and \$52, respectively), (\$731 and \$589 pledged as collateral, respectively)(a)	1,836	1,413
Accounts receivable from affiliates	1	15
Inventories(a)	1,746	1,396
Prepaid expenses	34	46
Deferred income taxes	2	1
Other current assets(a)	271	164
Total current assets	4,580	4,008
Property, plant and equipment, net(a)	3,825	3,605
Investment in unconsolidated affiliates	192	234
Intangible assets, net(a)	109	105
Goodwill	111	94
Deferred income taxes	188	166
Notes receivable from affiliates	6	7
Other noncurrent assets(a)	465	495
Total assets	\$ 9,476	\$ 8,714
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable(a)	\$ 1,110	\$ 842
Accounts payable to affiliates	22	45
Accrued liabilities(a)	758	628
Deferred income taxes	20	19
Current portion of debt(a)	289	519
Total current liabilities	2,199	2,053
Long-term debt(a)	3,886	3,627
Notes payable to affiliates	4	4
Deferred income taxes	307	314
Other noncurrent liabilities(a)	844	866
Total liabilities	7,240	6,864
Commitments and contingencies (Notes 13 and 14)		
Equity		
Huntsman Corporation stockholders' equity:		
Common stock \$0.01 par value, 1,200,000,000 shares authorized, 241,793,529 and 239,549,365 issued and 239,732,121 and 236,799,455 outstanding in 2011 and 2010, respectively	2	2

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Additional paid-in capital	3,225	3,186
Unearned stock-based compensation	(16)	(11)
Accumulated deficit	(970)	(1,090)
Accumulated other comprehensive loss	(142)	(297)
Total Huntsman Corporation stockholders' equity	2,099	1,790
Noncontrolling interests in subsidiaries	137	60
Total equity	2,236	1,850
Total liabilities and equity	\$ 9,476	\$ 8,714

(a)

At June 30, 2011 and December 31, 2010, respectively, \$66 and \$7 of cash and cash equivalents, \$2 and nil of restricted cash, \$37 and \$8 of accounts and notes receivable (net), \$50 and \$45 of inventories, \$3 and \$2 of other current assets, \$429 and \$275 of property, plant and equipment (net), \$26 and \$7 of intangible assets (net), \$20 and \$18 of other noncurrent assets, \$74 and \$56 of accounts payable, \$19 and \$16 of accrued liabilities, \$27 and \$15 of current portion of debt, \$286 and \$185 of long-term debt, and \$98 and \$109 of other noncurrent liabilities from consolidated variable interest entities are included in the respective Balance Sheet captions above. See "Note 5. Variable Interest Entities."

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

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

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

(In Millions, Except Per Share Amounts)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenues:				
Trade sales, services and fees, net	\$ 2,896	\$ 2,280	\$ 5,522	\$ 4,329
Related party sales	38	63	91	108
Total revenues	2,934	2,343	5,613	4,437
Cost of goods sold	2,433	1,958	4,652	3,771
Gross profit	501	385	961	666
Operating expenses:				
Selling, general and administrative	256	208	474	426
Research and development	42	36	81	72
Other operating (income) expense	(26)	(3)	8	(1)
Restructuring, impairment and plant closing costs	9	17	16	20
Total expenses	281	258	579	517
Operating income	220	127	382	149
Interest expense, net	(65)	(43)	(124)	(104)
Equity in income of investment in unconsolidated affiliates	2	16	4	17
Loss on early extinguishment of debt		(7)	(3)	(162)
Expenses associated with the Terminated Merger and related litigation		(1)		(1)
Other income	1	1	1	1
Income (loss) from continuing operations before income taxes	158	93	260	(100)
Income tax expense	(34)	(39)	(56)	(5)
Income (loss) from continuing operations	124	54	204	(105)
(Loss) income from discontinued operations, net of tax	(1)	62	(15)	49
Income (loss) before extraordinary gain	123	116	189	(56)
Extraordinary gain on the acquisition of a business, net of tax of nil	1		2	

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Net income (loss)	124	116	191	(56)
Net income attributable to noncontrolling interests	(10)	(2)	(15)	(2)

Net income (loss) attributable to Huntsman Corporation	\$ 114	\$ 114	\$ 176	\$ (58)
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Net income (loss)	\$ 124	\$ 116	\$ 191	\$ (56)
Other comprehensive income (loss)	60	(64)	156	(108)

Comprehensive income (loss)	184	52	347	(164)
Comprehensive income attributable to noncontrolling interests	(10)	(2)	(16)	(2)

Comprehensive income (loss) attributable to Huntsman Corporation	\$ 174	\$ 50	\$ 331	\$ (166)
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Basic income (loss) per share:

Income (loss) from continuing operations attributable to Huntsman Corporation common stockholders	\$ 0.48	\$ 0.22	\$ 0.79	\$ (0.46)
Income (loss) from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax		0.26	(0.06)	0.21
Extraordinary gain on the acquisition of a business attributable to Huntsman Corporation common stockholders, net of tax			0.01	

Net income (loss) attributable to Huntsman Corporation common stockholders	\$ 0.48	\$ 0.48	\$ 0.74	\$ (0.25)
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Weighted average shares	239.4	236.4	238.5	235.6
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Diluted income (loss) per share:

Income (loss) from continuing operations attributable to Huntsman Corporation common stockholders	\$ 0.47	\$ 0.21	\$ 0.78	\$ (0.46)
Income (loss) from discontinued operations attributable to Huntsman Corporation common stockholders, net of tax		0.26	(0.07)	0.21
Extraordinary gain on the acquisition of a business attributable to Huntsman Corporation common stockholders, net of tax			0.01	

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Net income (loss) attributable to Huntsman Corporation common stockholders	\$	0.47	\$	0.47	\$	0.72	\$	(0.25)
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Weighted average shares	243.7	240.8	243.2	235.6
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Amounts attributable to Huntsman Corporation common stockholders:

Income (loss) from continuing operations	\$	114	\$	52	\$	189	\$	(107)
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(Loss) income from discontinued operations, net of tax	(1)	62	(15)	49
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Extraordinary gain on the acquisition of a business, net of tax	1	2
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Net income (loss)	\$	114	\$	114	\$	176	\$	(58)
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Dividends per share	\$	0.10	\$	0.10	\$	0.20	\$	0.20
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See accompanying notes to condensed consolidated financial statements (unaudited).

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)****(Dollars in Millions)**

	Six months ended June 30,	
	2011	2010
Operating Activities:		
Net income (loss)	\$ 191	\$ (56)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Gain on the consolidation of a variable interest entity	(12)	
Equity in income of investment in unconsolidated affiliates	(4)	(17)
Depreciation and amortization	214	196
(Gain) loss on disposal of businesses/assets, net	(2)	2
Loss on early extinguishment of debt	3	162
Noncash interest expense	19	2
Deferred income taxes	(18)	34
Noncash gain on foreign currency transactions		(3)
Stock-based compensation	16	12
Portion of insurance settlement representing cash provided by investing activities		(34)
Other, net	2	8
Changes in operating assets and liabilities:		
Accounts and notes receivable	(325)	(262)
Accounts receivable from A/R Programs		(254)
Inventories	(270)	(205)
Prepaid expenses	10	12
Other current assets	(121)	(24)
Other noncurrent assets	37	(80)
Accounts payable	200	127
Accrued liabilities	119	(30)
Other noncurrent liabilities	(58)	(32)
Net cash provided by (used in) operating activities	1	(442)
Investing Activities:		
Capital expenditures	(124)	(78)
Proceeds from settlements treated as reimbursement of capital expenditures	3	34
Cash assumed in connection with the initial consolidation of a variable interest entity	28	
Cash paid for acquisition of a business	(23)	
Proceeds from sale of business/assets	3	
Investment in unconsolidated affiliates	(10)	(4)
Cash received from unconsolidated affiliates	13	
Change in restricted cash		(1)
Other	(1)	
Net cash used in investing activities	(111)	(49)

(Continued)

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

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

(Dollars in Millions)

	Six months ended June 30,	
	2011	2010
Financing Activities:		
Net borrowings (repayments) under revolving loan facilities	4	\$ (4)
Revolving loan facility from A/R Programs		254
Net borrowings on overdraft facilities	11	5
Repayments of short-term debt	(100)	(94)
Borrowings on short-term debt	76	115
Repayments of long-term debt	(170)	(895)
Proceeds from issuance of long-term debt	71	375
Repayments of notes payable	(15)	(22)
Borrowings on notes payable	1	4
Debt issuance costs paid	(7)	(17)
Call premiums related to early extinguishment of debt	(3)	(153)
Dividends paid to common stockholders	(48)	(48)
Repurchase and cancellation of stock awards	(8)	(6)
Proceeds from issuance of common stock	3	2
Excess tax benefit related to stock-based compensation	10	4
Other, net	(3)	
Net cash used in financing activities	(178)	(480)
Effect of exchange rate changes on cash	5	(8)
Decrease in cash and cash equivalents	(283)	(979)
Cash and cash equivalents at beginning of period	966	1,745
Cash and cash equivalents at end of period	683	\$ 766
Supplemental cash flow information:		
Cash paid for interest	108	\$ 97
Cash paid for income taxes	35	10

During the six months ended June 30, 2011 and 2010, the amount of capital expenditures in accounts payable decreased by \$8 million and \$10 million, respectively.

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

[Table of Contents](#)**HUNTSMAN CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)****(Dollars in Millions)****Huntsman Corporation Stockholders**

	Shares		Additional		Unearned	Accumulated		other	Noncontrolling	Total
	Common	Common	paid-in	stock-based	compensation	deficit	(loss)	interests in	equity	
	stock	stock	capital	compensation	deficit	deficit	income	subsidiaries		
Balance, January 1, 2011	236,799,455	\$ 2	\$ 3,186	\$ (11)	\$ (1,090)	\$ (297)	\$ 60	\$ 1,850		
Net income					176		15	191		
Other comprehensive income						155	1	156		
Consolidation of a variable interest entity								61	61	
Issuance of nonvested stock awards			11	(11)						
Vesting of stock awards	2,211,143		13						13	
Recognition of stock-based compensation			2	6					8	
Repurchase and cancellation of stock awards	(503,913)				(8)				(8)	
Stock options exercised	1,225,436		3						3	
Excess tax benefit related to stock-based compensation			10						10	
Dividends paid on common stock					(48)				(48)	
Balance, June 30, 2011	239,732,121	\$ 2	\$ 3,225	\$ (16)	\$ (970)	\$ (142)	\$ 137	\$ 2,236		

Huntsman Corporation Stockholders

	Shares		Additional		Unearned	Accumulated		other	Noncontrolling	Total
	Common	Common	paid-in	stock-based	compensation	deficit	(loss)	interests in	equity	
	stock	stock	capital	compensation	deficit	deficit	income	subsidiaries		
Balance, January 1, 2010	234,081,490	\$ 2	\$ 3,155	\$ (11)	\$ (1,015)	\$ (287)	\$ 21	\$ 1,865		
Net loss					(58)		2	(56)		
Other comprehensive loss						(108)		(108)		
Issuance of nonvested stock awards			10	(10)						
Vesting of stock awards	1,900,576		9						9	
Recognition of stock-based compensation			2	6					8	
Repurchase and cancellation of stock awards	(425,809)				(6)				(6)	
Stock options exercised	863,218		2						2	
Excess tax benefit related to stock-based compensation			4						4	
Dividends paid on common stock					(48)				(48)	
Balance, June 30, 2010	236,419,475	\$ 2	\$ 3,182	\$ (15)	\$ (1,127)	\$ (395)	\$ 23	\$ 1,670		

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

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in Millions)

	June 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents(a)	\$ 306	\$ 561
Restricted cash(a)	7	7
Accounts and notes receivable (net of allowance for doubtful accounts of \$55 and \$52, respectively), (\$731 and \$589 pledged as collateral, respectively)(a)	1,836	1,413
Accounts receivable from affiliates	72	100
Inventories(a)	1,746	1,396
Prepaid expenses	33	45
Deferred income taxes	41	40
Other current assets(a)	266	160
Total current assets	4,307	3,722
Property, plant and equipment, net(a)	3,701	3,469
Investment in unconsolidated affiliates	192	234
Intangible assets, net(a)	111	107
Goodwill	111	94
Deferred income taxes	201	179
Notes receivable from affiliates	6	7
Other noncurrent assets(a)	465	495
Total assets	\$ 9,094	\$ 8,307
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable(a)	\$ 1,110	\$ 840
Accounts payable to affiliates	29	59
Accrued liabilities(a)	757	626
Deferred income taxes	64	63
Note payable to affiliate	100	100
Current portion of debt(a)	289	519
Total current liabilities	2,349	2,207
Long-term debt(a)	3,886	3,627
Notes payable to affiliates	439	439
Deferred income taxes	87	94
Other noncurrent liabilities(a)	837	852
Total liabilities	7,598	7,219
Commitments and contingencies (Notes 13 and 14)		
Equity		
Huntsman International LLC members' equity:		
Members' equity, 2,728 units issued and outstanding	3,074	3,049
Accumulated deficit	(1,519)	(1,667)
Accumulated other comprehensive loss	(196)	(354)

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Total Huntsman International LLC members' equity	1,359	1,028
Noncontrolling interests in subsidiaries	137	60
Total equity	1,496	1,088
Total liabilities and equity	\$ 9,094	\$ 8,307

(b)

At June 30, 2011 and December 31, 2010, respectively, \$66 and \$7 of cash and cash equivalents, \$2 and nil of restricted cash, \$37 and \$8 of accounts and notes receivable (net), \$50 and \$45 of inventories, \$3 and \$2 of other current assets, \$429 and \$275 of property, plant and equipment (net), \$26 and \$7 of intangible assets (net), \$20 and \$18 of other noncurrent assets, \$74 and \$56 of accounts payable, \$19 and \$16 of accrued liabilities, \$27 and \$15 of current portion of debt, \$286 and \$185 of long-term debt, and \$98 and \$109 of other noncurrent liabilities from consolidated variable interest entities are included in the respective Balance Sheet captions above. See "Note 5. Variable Interest Entities."

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

[Table of Contents](#)

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

(Dollars in Millions)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenues:				
Trade sales, services and fees, net	\$ 2,896	\$ 2,280	\$ 5,522	\$ 4,329
Related party sales	38	63	91	108
Total revenues	2,934	2,343	5,613	4,437
Cost of goods sold	2,429	1,955	4,643	3,763
Gross profit	505	388	970	674
Operating expenses:				
Selling, general and administrative	255	208	472	423
Research and development	42	36	81	72
Other operating (income) expense	(26)	(4)	8	(11)
Restructuring, impairment and plant closing costs	9	17	16	20
Total expenses	280	257	577	504
Operating income	225	131	393	170
Interest expense, net	(67)	(47)	(131)	(113)
Equity in income of investment in unconsolidated affiliates	2	16	4	17
Loss on early extinguishment of debt		(7)	(3)	(16)
Other income	1	2	1	2
Income from continuing operations before income taxes	161	95	264	60
Income tax expense	(34)	(38)	(56)	(16)
Income from continuing operations	127	57	208	44
(Loss) income from discontinued operations, net of tax	(1)	62	(15)	49
Income before extraordinary gain	126	119	193	93
	1		2	

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Extraordinary gain on
the acquisition of a
business, net of tax of nil

Net income	127	119	195	93
Net income attributable to noncontrolling interests	(10)	(2)	(15)	(2)

**Net income attributable
to Huntsman**

International LLC \$ 117 \$ 117 \$ 180 \$ 91

Net income	\$ 127	\$ 119	\$ 195	\$ 93
Other comprehensive income (loss)	61	(63)	159	(106)

Comprehensive income (loss)	188	56	354	(13)
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Comprehensive income attributable to noncontrolling interests	(10)	(2)	(16)	(2)
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**Comprehensive income
(loss) attributable to
Huntsman**

International LLC \$ 178 \$ 54 \$ 338 \$ (15)

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

Table of Contents**HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)****(Dollars in Millions)**

	Six months ended June 30,	
	2011	2010
Operating Activities:		
Net income	\$ 195	\$ 93
Adjustments to reconcile net income to net cash used in operating activities:		
Gain on the consolidation of a variable interest entity	(12)	
Equity in income of investment in unconsolidated affiliates	(4)	(17)
Depreciation and amortization	203	184
(Gain) loss on disposal of businesses/assets, net	(2)	2
Loss on early extinguishment of debt	3	16
Noncash interest expense	25	11
Deferred income taxes	(19)	37
Noncash gain on foreign currency transactions		(3)
Noncash compensation	15	11
Portion of insurance settlement representing cash provided by investing activities		(34)
Other, net	2	7
Changes in operating assets and liabilities:		
Accounts and notes receivable	(325)	(262)
Accounts receivable from A/R Programs		(254)
Inventories	(270)	(205)
Prepaid expenses	12	14
Other current assets	(121)	(14)
Other noncurrent assets	37	(80)
Accounts payable	194	132
Accrued liabilities	119	(21)
Other noncurrent liabilities	(55)	(30)
Net cash used in operating activities	(3)	(413)
Investing Activities:		
Capital expenditures	(124)	(78)
Proceeds from settlements treated as reimbursement of capital expenditures	3	34
Cash assumed in connection with the initial consolidation of a variable interest entity	28	
Cash paid for acquisition of a business	(23)	
Proceeds from sale of business/assets	3	
Decrease (increase) in receivable from affiliate	8	(46)
Investment in unconsolidated affiliates	(10)	(4)
Cash received from unconsolidated affiliates	13	
Change in restricted cash		(1)
Other	(1)	
Net cash used in investing activities	(103)	(95)

(Continued)

Table of Contents

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

(Dollars in Millions)

	Six months ended June 30,	
	2011	2010
Financing Activities:		
Net borrowings (repayments) under revolving loan facilities	\$ 4	\$ (4)
Revolving loan facility from A/R Programs		254
Net borrowings on overdraft facilities	11	5
Repayments of short-term debt	(100)	(94)
Borrowings on short-term debt	76	115
Repayments of long-term debt	(170)	(659)
Proceeds from issuance of long-term debt	71	375
Repayments of notes payable to affiliate		(125)
Proceeds from notes payable to affiliate		110
Repayments of notes payable	(15)	(22)
Borrowings on notes payable	1	4
Debt issuance costs paid	(7)	(17)
Call premiums related to early extinguishment of debt	(3)	(7)
Dividends paid to parent	(32)	
Excess tax benefit related to stock-based compensation	10	4
Net cash used in financing activities	(154)	(61)
Effect of exchange rate changes on cash	5	(8)
Decrease in cash and cash equivalents	(255)	(577)
Cash and cash equivalents at beginning of period	561	919
Cash and cash equivalents at end of period	\$ 306	\$ 342

Supplemental cash flow information:

Cash paid for interest	\$ 108	\$ 88
Cash paid for income taxes	35	9

During the six months ended June 30, 2011 and 2010, the amount of capital expenditures in accounts payable decreased by \$8 million and \$10 million, respectively. During the six months ended June 30, 2011 and 2010, Huntsman Corporation contributed \$15 million and \$11 million, respectively, related to stock-based compensation.

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

[Table of Contents](#)

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(Dollars in Millions)

Huntsman International LLC Members

	Members' equity		Accumulated other comprehensive income		Noncontrolling interests in subsidiaries	Total equity
	Units	Amount	deficit	(loss)		
Balance, January 1, 2011	2,728	\$ 3,049	\$ (1,667)	\$ (354)	\$ 60	\$ 1,088
Net income			180		15	195
Other comprehensive income				158	1	159
Consolidation of a variable interest entity					61	61
Contributions from parent		15				15
Dividend paid to parent			(32)			(32)
Excess tax benefit related to stock-based compensation		10				10
Balance, June 30, 2011	2,728	\$ 3,074	\$ (1,519)	\$ (196)	\$ 137	\$ 1,496

Huntsman International LLC Members

	Members' equity		Accumulated other comprehensive income		Noncontrolling interests in subsidiaries	Total equity
	Units	Amount	deficit	(loss)		
Balance, January 1, 2010	2,728	\$ 3,021	\$ (1,847)	\$ (348)	\$ 21	\$ 847
Net income			91		2	93
Other comprehensive loss				(106)		(106)
Contribution from parent		11				11
Excess tax benefit related to stock-based compensation		4				4
Balance, June 30, 2010	2,728	\$ 3,036	\$ (1,756)	\$ (454)	\$ 23	\$ 849

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

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL

CERTAIN DEFINITIONS

For convenience in this report, the terms "Company," "our," "us" or "we" may be used to refer to Huntsman Corporation and, unless the context otherwise requires, its subsidiaries and predecessors. 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); and "SLIC" refers to Shanghai Liengheng Isocyanate Company (our unconsolidated manufacturing joint venture with BASF AG and three Chinese chemical companies).

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.

INTERIM FINANCIAL STATEMENTS

Our interim condensed consolidated financial statements (unaudited) and Huntsman International's interim condensed consolidated financial statements (unaudited) were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP" or "U.S. GAAP") and in management's opinion reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of results of operations, financial position and cash flows for the periods presented. Results for interim periods are not necessarily indicative of those to be expected for the full year. These condensed consolidated financial statements (unaudited) should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2010 for our Company and Huntsman International.

DESCRIPTION OF BUSINESS

We are a global manufacturer of differentiated organic chemical products and of inorganic chemical products. Our products comprise a broad range of chemicals and formulations, which we market globally to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, durable and nondurable 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, maleic anhydride, epoxy-based polymer formulations, textile chemicals, dyes and titanium dioxide.

We operate in five segments: Polyurethanes, Performance Products, Advanced Materials, Textile Effects and Pigments. Our Polyurethanes, Performance Products, Advanced Materials and Textile Effects segments produce differentiated organic chemical products and our Pigments segment produces inorganic chemical products.

COMPANY

Our Company, a Delaware corporation, was formed in 2004 to hold the Huntsman businesses. Jon M. Huntsman founded the predecessor to our Company in the early 1970s as a small packaging

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

1. GENERAL (Continued)

company. Since then, we have grown through a series of acquisitions and now own a global portfolio of businesses.

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

HUNTSMAN CORPORATION AND HUNTSMAN INTERNATIONAL FINANCIAL STATEMENTS

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

purchase accounting recorded at our Company for the 2003 step-acquisition of Huntsman International Holdings LLC, the former parent company of Huntsman International that was merged into Huntsman International in 2005;

the different capital structures;

expenses associated with our terminated merger with a subsidiary of Hexion (the "Terminated Merger"); and

a note payable from Huntsman International to us.

PRINCIPLES OF CONSOLIDATION

Our condensed consolidated financial statements (unaudited) include the accounts of our wholly-owned and majority-owned subsidiaries and any variable interest entities for which we are the primary beneficiary. All intercompany accounts and transactions have been eliminated, except for intercompany sales between continuing and discontinued operations.

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain amounts in the consolidated financial statements for prior periods have been reclassified to conform with the current presentation. Beginning in 2011, we reclassified bank accepted drafts in China with maturities greater than 90 days from receipt from accounts receivable to other current assets.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

1. GENERAL (Continued)

RECENT DEVELOPMENTS

Redemption of 7.375% Senior Subordinated Notes Due 2015

On July 25, 2011, Huntsman International redeemed the remaining \$75 million of its 7.375% senior subordinated notes due 2015. The total redemption payment, excluding accrued interest, was \$77 million, which included \$2 million of call premiums. We expect to record a loss on early extinguishment of debt for this transaction in the third quarter of 2011 of \$2 million.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

ACCOUNTING PRONOUNCEMENTS ADOPTED DURING 2011

In October 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force*. This ASU provides amendments to the criteria for separating consideration in multiple-deliverable arrangements. The amendments in this ASU replace the term "fair value" in the revenue allocation guidance with "selling price" to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant and establish a selling price hierarchy for determining the selling price of a deliverable. The amendments in this ASU will eliminate the residual method of allocation and require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, and significantly expand the required disclosures related to multiple-deliverable revenue arrangements. The amendments in this ASU were effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The initial adoption of this statement did not have a significant impact on our condensed consolidated financial statements (unaudited).

In December 2010, the FASB Emerging Issues Task Force ("EITF") issued ASU No. 2010-29, *Business Combinations (Topic 805) Disclosure of Supplementary Pro Forma Information for Business Combinations*, which requires public entities that present comparative financial statements to disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred at the beginning of the comparable prior annual reporting period only. The amendments in this ASU also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in this ASU are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. We complied with the disclosure requirements of this standard in connection with our April 2, 2011 acquisition of Laffans Petrochemicals Limited and in connection with our April 1, 2011 consolidation of the Sasol-Huntsman GmbH and Co. KG ("Sasol-Huntsman") joint venture. See "Note 3. Business Combinations" and "Note 5. Variable Interest Entities."

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (Continued)

ACCOUNTING PRONOUNCEMENTS PENDING ADOPTION IN FUTURE PERIODS

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, providing a consistent definition of fair value between U.S. GAAP and International Financial Reporting Standards ("IFRSs") as well as developing common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and IFRSs. The amendments in this ASU are to be applied prospectively and will be effective during interim and annual periods beginning after December 15, 2011. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements (unaudited).

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*, requiring entities to present net income and other comprehensive income in either a single continuous statement of comprehensive income or in two separate, but consecutive, statements of net income and other comprehensive income. The option to present components of other comprehensive income as part of the statement of equity is eliminated. The amendments do not change the option to present components of other comprehensive income either net of related tax effects or before related tax effects, with one amount shown for the aggregate income tax expense or benefit related to the total of other comprehensive income components. The amendments in this ASU should be applied retrospectively and will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We do not expect the adoption of the amendments in this ASU to have a significant impact on our condensed consolidated financial statements (unaudited).

3. BUSINESS COMBINATIONS

LAFFANS ACQUISITION

On April 2, 2011, we completed the acquisition of the chemical business of Laffans Petrochemicals Limited ("Laffans"), an amines and surfactants manufacturer located in Ankleshwar, India (the "Laffans Acquisition"). The acquisition cost of approximately \$23 million remains subject to finalization of closing working capital. The acquired business has been integrated into our Performance Products segment. Transaction costs charged to expense related to this acquisition were not significant.

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

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****3. BUSINESS COMBINATIONS (Continued)**

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

Acquisition cost	\$ 23
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Fair value of assets acquired and liabilities assumed:

Accounts receivable	\$ 10
Inventories	2
Other current assets	2
Property, plant and equipment	14
Accounts payable	(3)
Accrued liabilities	(1)
Other noncurrent liabilities	(1)

Total fair value of net assets acquired	\$ 23
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The acquisition cost allocation is preliminary pending final determination of the fair value of assets acquired and liabilities assumed, including final valuation of property, plant and equipment, intangible assets and the determination of related deferred taxes. For purposes of this preliminary allocation of fair value, we have assigned any excess of the acquisition cost of historical carrying values to property, plant and equipment and no amounts have been allocated to goodwill. It is possible that changes to this allocation could occur.

If this acquisition were to have occurred on January 1, 2010, the following estimated pro forma revenues and net income (loss) attributable to Huntsman Corporation and Huntsman International would have been reported (dollars in millions):

Huntsman Corporation

	Pro Forma			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010		2011	2010
Revenues	\$	2,355	\$	5,627
Net income (loss) attributable to Huntsman Corporation		114		177
				(58)

[Table of Contents](#)**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****3. BUSINESS COMBINATIONS (Continued)****Huntsman International**

		Pro Forma	
		Three Months Ended	Six Months Ended
		June 30,	June 30,
		2010	2011 2010
Revenues	\$	2,355	\$ 5,627 \$ 4,461
Net income attributable to Huntsman International		117	181 91

4. INVENTORIES

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

	June 30, 2011	December 31, 2010
Raw materials and supplies	\$ 403	\$ 321
Work in progress	107	99
Finished goods	1,323	1,043
Total	1,833	1,463
LIFO reserves	(87)	(67)
Net	\$ 1,746	\$ 1,396

As of June 30, 2011 and December 31, 2010, approximately 10% and 12%, respectively, of inventories were recorded using the LIFO cost method.

In the normal course of operations we, at times, exchange raw materials and finished goods with other companies for the purpose of reducing transportation costs. The net nonmonetary open exchange positions are valued at cost. The amounts included in inventory under nonmonetary open exchange agreements receivable by us as of June 30, 2011 and December 31, 2010 were \$4 million and \$3 million, respectively. Other open exchanges are settled in cash and result in a net deferred profit margin. The amounts payable under these open exchange agreements as of June 30, 2011 and December 31, 2010 were \$1 million and nil, respectively.

5. VARIABLE INTEREST ENTITIES

We evaluate our investments and transactions to identify variable interest entities ("VIEs") for which we are the primary beneficiary. We hold a variable interest in the following four joint ventures for which we are the primary beneficiary:

Rubicon LLC manufactures products for our Polyurethanes segment. The joint venture is structured such that the total equity investment at risk is not sufficient to permit it to finance its

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

5. VARIABLE INTEREST ENTITIES (Continued)

activities without additional financial support. Under the Rubicon LLC operating agreement, we purchase a majority of the output, absorb a majority of the operating costs and provide a majority of the additional funding.

Pacific Iron Products Sdn Bhd ("Pacific Iron Products") manufactures products for our Pigments segment. In this joint venture, we supply all the raw materials through a fixed cost supply agreement, operate the manufacturing facility and market the products. Under the fixed cost supply agreement, we are exposed to the risks related to the fluctuation of raw material prices.

Arabian Amines Company manufactures ethyleneamines products for our Performance Products segment. Prior to July 1, 2010, this joint venture was accounted for under the equity method. In July 2010, Arabian Amines Company exited the development stage, which triggered its reconsideration as a VIE. As required in the Arabian Amines Company operating agreement, we purchase all of its production and sell it to our customers. Substantially all of the joint venture's activities are conducted on our behalf.

In April 2011, Arabian Amines Company settled a dispute with its third party contractors and received an amount totaling \$11 million. Of this \$11 million settlement, \$8 million was related to damages incurred due to the delayed initial acceptance of the plant. This amount was recorded as other operating (income) expense in the condensed consolidated statements of operations and comprehensive income (loss) (unaudited) and included in the cash flows from operating activities in the condensed consolidated statements of cash flows (unaudited). The remaining \$3 million of the settlement was received for the reimbursement of capital expenditures for work left unfinished by the third party contractors. This amount was included in cash flows from investing activities in the condensed consolidated statements of cash flows (unaudited).

Sasol-Huntsman is our 50/50 joint venture with Sasol that owns and operates a maleic anhydride facility in Moers, Germany. This joint venture manufactures products for our Performance Products segment. Prior to April 1, 2011, we accounted for Sasol-Huntsman using the equity method. During the second quarter of 2010, we recorded a nonrecurring \$15 million credit to equity income of investment in unconsolidated affiliates to appropriately reflect our investment in the Sasol-Huntsman joint venture.

In April 2011, an expansion at this facility began production, which triggered the reconsideration of this joint venture as a VIE. The joint venture uses our technology and expertise, and we bear a disproportionate amount of risk of loss due to a related-party loan to Sasol-Huntsman for which we bear the default risk. As a result, we concluded that we were the primary beneficiary and began consolidating Sasol-Huntsman beginning April 1, 2011.

Creditors of these VIEs have no recourse to our general credit, except in the event that we offer guarantees of specified indebtedness. As the primary beneficiary, the joint ventures' assets, liabilities and results of operations are included in our condensed consolidated financial statements (unaudited).

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****5. VARIABLE INTEREST ENTITIES (Continued)**

The following table summarizes the carrying amount of Rubicon LLC, Pacific Iron Products and Arabian Amines Company's assets and liabilities included in our condensed consolidated balance sheet (unaudited), before intercompany eliminations (dollars in millions):

	June 30, 2011	December 31, 2010
Current assets	\$ 117	\$ 90
Property, plant and equipment, net	267	275
Other noncurrent assets	61	56
Deferred income taxes	40	40
Intangible assets	6	7
Total assets	\$ 491	\$ 468
Current liabilities	135	111
Long-term debt	188	188
Deferred income taxes	2	
Other noncurrent liabilities	91	109
Total liabilities	\$ 416	\$ 408

The following table summarizes the fair value of Sasol-Huntsman's assets and liabilities as of April 1, 2011 recorded upon initial consolidation in our condensed consolidated balance sheet (unaudited) and the carrying amounts of such assets and liabilities as of June 30, 2011, before intercompany eliminations (dollars in millions):

	June 30, 2011	April 1, 2011
Current assets	\$ 77	\$ 61
Property, plant and equipment, net	162	155
Intangible assets	20	16
Goodwill	17	17
Total assets	\$ 276	\$ 249
Current liabilities	31	23
Long-term debt	102	93
Deferred income taxes	8	8
Other noncurrent liabilities	8	7
Total liabilities	\$ 149	\$ 131

Goodwill of \$17 million was recognized upon consolidation of Sasol-Huntsman, of which approximately \$12 million is deductible for income tax purposes. The total amount of goodwill did not change from the date of consolidation to June 30, 2011. All other intangible assets are being amortized over an average useful life of 18 years.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

5. VARIABLE INTEREST ENTITIES (Continued)

Sasol-Huntsman had revenues and earnings of \$44 million and \$7 million, respectively, for the period from the date of consolidation to June 30, 2011. If this consolidation had occurred on January 1, 2010, the approximate pro forma revenues attributable to both our Company and Huntsman International would have been \$2,366 million for the three months ended June 30, 2010 and \$5,643 million and \$4,479 million for the six months ended June 30, 2011 and 2010, respectively. There would have been no impact to the combined earnings attributable to us or Huntsman International excluding a one-time noncash gain of approximately \$12 million recognized upon consolidation included in other operating income in the condensed consolidated statements of operations and comprehensive income (loss) (unaudited). Upon consolidation we also recognized a one-time noncash income tax expense of approximately \$2 million. The fair value of the noncontrolling interest was estimated to be \$61 million at April 1, 2011. The noncontrolling interest was valued at 50% of the fair value of the net assets as of April 1, 2011, as dictated by the ownership interest percentages, adjusted for certain tax consequences only applicable to one parent.

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****6. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS**

As of June 30, 2011 and December 31, 2010, accrued restructuring costs by type of cost and initiative consisted of the following (dollars in millions):

	Workforce reductions(1)	Demolition and decommissioning	Noncancelable lease costs	Other restructuring costs	Total(2)
Accrued liabilities as of January 1, 2011	\$ 36	\$ 1	\$ 1	\$ 11	\$ 49
2011 charges for 2006 and prior initiatives	1		1		2
2011 charges for 2009 initiatives	1			2	3
2011 charges for 2010 initiatives		2		1	3
2011 charges for 2011 initiatives	11				11
Reversal of reserves no longer required	(3)				(3)
2011 payments for 2006 and prior initiatives			(1)		(1)
2011 payments for 2008 initiatives	(1)				(1)
2011 payments for 2009 initiatives	(2)			(3)	(5)
2011 payments for 2010 initiatives	(9)	(2)		(1)	(12)
2011 payments for 2011 initiatives	(1)				(1)
Net activity of discontinued operations				(1)	(1)
Foreign currency effect on liability balance	3	(1)			2
Accrued liabilities as of June 30, 2011	\$ 36	\$	\$ 1	\$ 9	\$ 46

(1) The total workforce reduction reserves of \$36 million relate to the termination of 255 positions, of which 218 positions had not been terminated as of June 30, 2011.

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

	June 30, 2011	December 31, 2010
2006 initiatives and prior	\$ 5	\$ 4
2008 initiatives		1
2009 initiatives	17	20
2010 initiatives	14	24
2011 initiatives	10	
Total	\$ 46	\$ 49

[Table of Contents](#)**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****6. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS (Continued)**

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

	Corporate and Total														
	Polyurethanes	Performance Products	Advanced Materials	Textile Effects	Pigments	Discontinued Operations	Other	Total							
Accrued liabilities as of January 1, 2011	\$	\$	1	\$	2	\$	25	\$	8	\$	8	\$	5	\$	49
2011 charges for 2006 and prior initiatives					1		1								2
2011 charges for 2009 initiatives							3								3
2011 charges for 2010 initiatives					2								1		3
2011 charges for 2011 initiatives			3		5		3								11
Reversal of reserves no longer required					(3)										(3)
2011 payments for 2006 and prior initiatives					(1)										(1)
2011 payments for 2008 initiatives							(1)								(1)
2011 payments for 2009 initiatives							(5)								(5)
2011 payments for 2010 initiatives					(8)								(4)		(12)
2011 payments for 2011 initiatives					(1)										(1)
Net activity of discontinued operations									(1)						(1)
Foreign currency effect on liability balance					3		(1)								2
Accrued liabilities as of June 30, 2011	\$	\$	1	\$	5	\$	23	\$	8	\$	7	\$	2	\$	46
Current portion of restructuring reserves	\$	\$	1	\$	4	\$	23	\$	8	\$	7	\$	2	\$	45
Long-term portion of restructuring reserve					1										1
Estimated additional future charges for current restructuring projects															
Estimated additional charges within one year									5						5
Estimated additional charges beyond one year															

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****6. RESTRUCTURING, IMPAIRMENT AND PLANT CLOSING COSTS (Continued)**

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

	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Cash charges:		
2011 charges for 2006 and prior initiatives	\$	\$ 2
2011 charges for 2009 initiatives	2	3
2011 charges for 2010 initiatives	2	3
2011 charges for 2011 initiatives	6	11
Reversal of reserves no longer required	(1)	(3)
Total 2011 Restructuring, Impairment and Plant Closing Costs	\$ 9	\$ 16

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Cash charges:		
2010 charges for 2005 initiatives	\$ 1	\$ 1
2010 charges for 2009 initiatives	3	5
2010 charges for 2010 initiatives	16	20
Reversal of reserves no longer required	(3)	(6)
Total 2010 Restructuring, Impairment and Plant Closing Costs	\$ 17	\$ 20

During the six months ended June 30, 2011, our Advanced Materials segment recorded charges of \$3 million primarily related to the reorganization of our global structure and relocation of our divisional headquarters from Basel, Switzerland to The Woodlands, Texas.

During the six months ended June 30, 2011, our Textile Effects segment recorded charges of \$8 million of which \$5 million related to simplification of the commercial organization and optimization of our distribution network, \$2 million related to nonworkforce reductions incurred for the consolidation of our Switzerland manufacturing facilities, and \$1 million related to the consolidation of our North Carolina sites. We reversed charges of \$3 million which were no longer required for workforce reductions at our production facility in Langweid, Germany and the consolidation of manufacturing activities and processes at our site in Basel, Switzerland.

During the six months ended June 30, 2011, our Pigments segment recorded charges of \$7 million of which \$3 million related to the closure of our Grimsby, U.K. plant and \$3 million related to workforce reductions at our Umbogintwini, South Africa plant. We expect to incur additional charges of \$5 million through December 31, 2012, primarily related to the closure of our Grimsby, U.K. plant.

During the six months ended June 30, 2011, we recorded charges of \$1 million in Corporate and other primarily related to workforce reductions in connection with a reorganization and regional consolidation of our transactional accounting activities.

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****7. DEBT**

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

Huntsman Corporation

	June 30, 2011	December 31, 2010
Senior Credit Facilities:		
Term loans	\$ 1,692	\$ 1,688
Amounts outstanding under A/R programs	254	238
Senior notes	462	452
Senior Subordinated notes	1,198	1,279
Australian credit facilities	34	33
HPS (China) debt	147	188
Variable interest entities	313	200
Other	75	68
 Total debt excluding debt to affiliates	 \$ 4,175	 \$ 4,146
 Total current portion of debt	 \$ 289	 \$ 519
Long-term portion	3,886	3,627
 Total debt excluding debt to affiliates	 \$ 4,175	 \$ 4,146
 Total debt excluding debt to affiliates	 \$ 4,175	 \$ 4,146
Notes payable to affiliates noncurrent	4	4
 Total debt	 \$ 4,179	 \$ 4,150

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****7. DEBT (Continued)****Huntsman International**

	June 30, 2011	December 31, 2010
Senior Credit Facilities:		
Term loans	\$ 1,692	\$ 1,688
Amounts outstanding under A/R programs	254	238
Senior notes	462	452
Subordinated notes	1,198	1,279
Australian credit facilities	34	33
HPS (China) debt	147	188
Variable interest entities	313	200
Other	75	68

Total debt excluding debt to affiliates	\$ 4,175	\$ 4,146
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Total current portion of debt	\$ 289	\$ 519
Long-term portion	3,886	3,627

Total debt excluding debt to affiliates	\$ 4,175	\$ 4,146
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Total debt excluding debt to affiliates	\$ 4,175	\$ 4,146
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Notes payable to affiliates current	100	100
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Notes payable to affiliates noncurrent	439	439
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Total debt	\$ 4,714	\$ 4,685
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DIRECT AND SUBSIDIARY DEBT

Huntsman Corporation's direct debt and guarantee obligations consist of the following: guarantees of certain debt of HPS (our Chinese MDI joint venture); a guarantee of certain obligations of Arabian Amines Company (our consolidated ethylenamines manufacturing joint venture in Jubail, Saudi Arabia); a guarantee of certain debt and other obligations of certain of our Australian subsidiaries; and certain indebtedness incurred from time to time to finance certain insurance premiums.

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

Senior Credit Facilities

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As of June 30, 2011, our senior secured credit facilities ("Senior Credit Facilities") consisted of our revolving facility ("Revolving Facility"), our term loan B facility ("Term Loan B"), our term C loan

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****7. DEBT (Continued)**

facility ("Term Loan C") and our extended term loan B facility ("Extended Term Loan B") as follows (dollars in millions):

Facility	Committed Amount	Principal Outstanding	Carrying Value	Interest Rate	Maturity
Revolving Facility	\$ 300		\$ (1)	USD LIBOR plus 3.00%	2014(2)
Term Loan B	NA	\$ 652	\$ 652	USD LIBOR plus 1.50%	2014(2)
Term Loan C	NA	\$ 427	\$ 390	USD LIBOR plus 2.25%	2016(2)
Extended Term Loan B	NA	\$ 650	\$ 650	USD LIBOR plus 2.50%	2017(2)

(1) We had no borrowings outstanding under our Revolving Facility; we had approximately \$26 million (U.S. dollar equivalents) of letters of credit and bank guarantees issued and outstanding under our Revolving Facility.

(2) The Revolving Facility matures in March 2014, but is subject to optional extensions from time to time with the consent of the lenders and subject to certain specified conditions and exceptions. Notwithstanding the stated maturity dates, the maturities of the Revolving Facility and Term Loan B will accelerate if we do not repay, or refinance, all but \$100 million of Huntsman International's outstanding debt securities on or before three months prior to the maturity dates of such debt securities. The maturity of the Extended Term Loan B will also accelerate if we do not repay, refinance or have a minimum level of liquidity available to enable us to refinance or repay our outstanding 5.50% senior notes due 2016 at least three months prior to the maturity date of such notes.

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, and are secured by a first priority lien on substantially all of our domestic property, plant and equipment, the stock of all of our material domestic subsidiaries and certain foreign subsidiaries and pledges of intercompany notes between certain of our subsidiaries.

Amendments to Senior Credit Facilities

On March 7, 2011, Huntsman International entered into a sixth amendment to its credit agreement. The amendment, among other things, extended \$650 million of aggregate principal of Term Loan B to a stated maturity of April 2017. As noted in the table above, after the amendment, as of June 30, 2011, we have \$652 million outstanding on Term Loan B with maturity of April 2014 and \$650 million outstanding on Extended Term Loan B with a maturity of April 2017. The amendment increased the interest rate margin with respect to Extended Term Loan B by 1.0%.

Extended Term Loan B will amortize in an amount equal to 1.0% of the principal amount, payable annually commencing on March 31, 2012. The amendment also grants Huntsman International the right to request an extension of the remaining principal balance of Term Loan B to the stated maturity date of Extended Term Loan B.

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****7. DEBT (Continued)****A/R Programs**

Our U.S. and European accounts receivable programs ("U.S. A/R Program," "EU A/R Program" and collectively "A/R Programs") are structured so that we grant a participating undivided interest in certain of our trade receivables to a U.S. special purpose entity ("U.S. SPE") and a European special purpose entity ("EU SPE"). We retain the servicing rights and a retained interest in the securitized receivables. Information regarding the A/R Programs as of June 30, 2011 is as follows (monetary amounts in millions):

Facility	Maturity	Maximum Funding Availability(1)	Amount Outstanding	Interest Rate(2)(3)
U.S. A/R Program	April 2014	\$250	\$90	Applicable Rate plus 1.50%-1.65%
EU A/R Program	April 2014	€225 (approximately \$323)	€114 (approximately \$164)	Applicable Rate plus 2.0%

- (1) The amount of actual availability under the A/R Programs may be lower based on the level of eligible receivables sold, changes in the credit ratings of our customers, customer concentration levels, and certain characteristics of the accounts receivable being transferred, as defined in the applicable agreements.
- (2) Each interest rate is defined in the applicable agreements. In addition, the U.S. SPE and the EU SPE are obligated to pay unused commitment fees to the lenders based on the amount of each lender's commitment.
- (3) Applicable rate for the U.S. A/R Program is defined by the lender as either USD LIBOR or CP rate. Applicable rate for the EU A/R Program is either GBP LIBOR, USD LIBOR or EURIBOR.

As of June 30, 2011, \$698 million of accounts receivable were pledged as collateral under the A/R Programs.

Amendments to A/R Programs

On April 15, 2011, Huntsman International entered into an amendment to the EU A/R Program. This amendment, among other things, extended the scheduled commitment termination date of the program to April 2014, added an additional lender to the program and reduced the applicable margin on borrowings to 2.0%.

On April 18, 2011, Huntsman International entered into an amendment to the U.S. A/R Program. This amendment, among other things, extended the scheduled commitment termination date of the program to April 2014, added an additional lender to the program and reduced the applicable margin on borrowings to a range of 1.50% to 1.65%.

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****7. DEBT (Continued)****Redemption of Notes and Loss on Early Extinguishment of Debt**

During the six months ended June 30, 2011 and 2010, we redeemed or repurchased the following notes (monetary amounts in millions):

Date of Redemption	Notes	Principal Amount of Notes Redeemed	Amount Paid (Excluding Accrued Interest)	Loss on Early Extinguishment of Debt
January 18, 2011	7.375% Senior Subordinated Notes due 2015	\$100	\$102	\$ 3
March 17, 2010	6.875% Senior Subordinated Notes due 2013	€184 (approximately \$253)	€189 (approximately \$259)	\$ 7
March 17, 2010	7.50% Senior Subordinated Notes due 2015	€59 (approximately \$81)	€59 (approximately \$81)	\$ 2
January 11, 2010(1)	7.00% Convertible Notes due 2018	\$250	\$382	\$ 146

(1)

The convertible notes due 2018 were issued to Apollo in December 2008 as part of a settlement agreement with Apollo. These convertible notes, which would have matured on December 23, 2018, bore interest at the rate of 7% per year and were convertible into approximately 31.8 million shares of our common stock at any time by the holders.

For the six months ended June 30, 2011, we and Huntsman International recorded a loss on early extinguishment of debt of \$3 million. For the six months ended June 30, 2010, we had a loss on early extinguishment of \$162 million, which included \$7 million of loss on early extinguishment of debt on the prepayment of our term loans, and Huntsman International recorded a loss on early extinguishment of debt of \$16 million, which included the \$7 million of loss on early extinguishment of debt on the prepayment of our term loans.

On July 25, 2011, Huntsman International redeemed the remaining \$75 million of its 7.375% senior subordinated notes due 2015. This amount was classified as current on the accompanying condensed consolidated balance sheets (unaudited) as of June 30, 2011. The total redemption payment, excluding accrued interest, was \$77 million, which included \$2 million of call premiums. We expect to record a loss on early extinguishment of debt for this transaction in the third quarter of 2011 of \$2 million.

Variable Interest Entity Debt

On April 1, 2011 we began consolidating Sasol-Huntsman which was previously accounted for under the equity method. See "Note 5. Variable Interest Entities." Sasol-Huntsman has a facility agreement for a €77 million term loan facility (approximately \$111 million) and a €5 million revolving facility (approximately \$7 million). As of June 30, 2011, Sasol-Huntsman had no borrowings under the revolving facility and had €76 million (approximately \$109 million) outstanding under the term loan facility.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

7. DEBT (Continued)

The facility will be repaid over 15 semiannual installments, beginning December 2011, with final repayment scheduled for December 2018. Obligations under the facility agreement are secured by, among other things, first priority right on the property, plant and equipment of Sasol-Huntsman.

As of June 30, 2011, Arabian Amines Company had \$204 million outstanding under its loan commitments and debt financing arrangements.

Other Debt

During the six months ended June 30, 2011, HPS repaid \$2 million and RMB 118 million (approximately \$18 million) of term loans and working capital loans under its secured facilities. In addition, during the six months ended June 30, 2011, HPS refinanced RMB 38 million (approximately \$6 million) in working capital loans due beginning in 2011 to 2014. 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 June 30, 2011, HPS had \$14 million in U.S. dollar borrowings and 362 million in RMB term loan and working capital borrowings (approximately \$56 million) under these secured facilities.

As of June 30, 2011, HPS also had RMB 499 million (approximately \$77 million) outstanding under a loan facility for issuing working capital loans and for discounting commercial drafts with recourse.

As of June 30, 2011, our Australian subsidiary has AUD32 million (approximately \$34 million) outstanding under our Australian credit facility. The credit facility is comprised of a revolving facility with AUD17 million outstanding (approximately \$19 million) and a term facility with AUD14 million outstanding (approximately \$15 million). Our Australian subsidiary is currently not in compliance with a financial covenant contained in the credit facility. Our lender has agreed to modify certain terms of the credit facility, and we expect to complete this amendment in the third quarter of 2011. The amounts outstanding under our Australian credit facility were classified as current on the accompanying condensed consolidated balance sheets (unaudited) as of June 30, 2011.

Note Payable from Huntsman International to Huntsman Corporation

As of June 30, 2011, we have a loan of \$535 million to our subsidiary, Huntsman International (the "Intercompany Note"). The Intercompany Note is unsecured and \$100 million of the outstanding amount is classified as current as of June 30, 2011 and December 31, 2010, respectively, on the accompanying consolidated balance sheets. As of June 30, 2011, under the terms of the Intercompany Note, Huntsman International promises to pay us interest on the unpaid principal amount at a rate per annum based on the previous monthly average borrowing rate obtained under our U.S. A/R Programs, less ten basis points (provided that the rate shall not exceed an amount that is 25 basis points less than the monthly average borrowing rate obtained for the U.S. LIBOR-based borrowings under our Revolving Facility).

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

7. DEBT (Continued)

COMPLIANCE WITH COVENANTS

We believe that we are in compliance with the covenants contained in the agreements governing our material debt instruments, including our Senior Credit Facilities, our A/R Programs and our notes. However, our Australian subsidiary is currently not in compliance with a financial covenant contained in its credit facility. See " Other Debt" above.

Our Senior Credit Facilities are subject to a single financial covenant (the "Leverage Covenant") which applies only to the Revolving Facility and is tested at the Huntsman International level. The Leverage Covenant is applicable only if borrowings, letters of credit or guarantees are outstanding under the Revolving Facility (cash collateralized letters of credit or guarantees are not deemed outstanding). The Leverage Covenant is a net senior secured leverage ratio covenant which requires that Huntsman International's ratio of senior secured debt to EBITDA (as defined in the applicable agreement) is not more than 3.75 to 1.

If in the future Huntsman International failed to comply with the Leverage Covenant, then we may not have access to liquidity under our Revolving Facility. If Huntsman International failed to comply with the Leverage Covenant at a time when we had uncollateralized loans or letters of credit outstanding under the Revolving Facility, Huntsman International would be in default under the Senior Credit Facilities, and, unless Huntsman International obtained a waiver or forbearance with respect to such default (as to which we can provide no assurance), Huntsman International could be required to pay off the balance of the Senior Credit Facilities in full, and we may not have further access to such facilities.

The agreements governing our A/R Programs also contain certain receivable performance metrics. Any material failure to meet the applicable A/R Programs' metrics in the future could lead to an early termination event under the A/R Programs, which could require us to cease our use of such facilities, prohibiting us from additional borrowings against our receivables or, at the discretion of the lenders, requiring that we repay the A/R Programs in full. An early termination event under the A/R Programs 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.

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

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.

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. As of June 30, 2011, we had approximately \$250 million in notional amount (in U.S. dollar equivalents) outstanding in forward foreign currency contracts.

On December 9, 2009, we entered into a five-year interest rate contract to hedge the variability caused by monthly changes in cash flow due to associated changes in LIBOR under our Senior Credit Facilities. The notional value of the contract is \$50 million and was designated as a cash flow hedge. The effective portion of the changes in the fair value of the swap was recorded in other comprehensive loss. We will pay a fixed 2.6% on the hedge and receive the one-month LIBOR rate. As of June 30, 2011, the fair value of the hedge was less than \$2 million and is recorded in other noncurrent liabilities.

On January 19, 2010, we entered into a five-year interest rate contract to hedge the variability caused by monthly changes in cash flow due to associated changes in LIBOR under our Senior Credit Facilities. The notional value of the contract is \$50 million and was designated as a cash flow hedge. The effective portion of the changes in the fair value of the swap was recorded in other comprehensive loss. We will pay a fixed 2.8% on the hedge and receive the one-month LIBOR rate. As of June 30, 2011, the fair value of the hedge was less than \$3 million and is recorded in other noncurrent liabilities.

Beginning in 2009, Arabian Amines Company entered into a 12 year floating to fixed interest rate contract providing to us LIBOR interest payments for a fixed payment of 5.02%. In connection with the consolidation of Arabian Amines Company as of July 1, 2010, the interest rate contract is now consolidated by Huntsman International. See "Note 5. Variable Interest Entities." The notional amount of the hedge as of June 30, 2011 is \$40 million and the interest rate contract is not designated as a cash flow hedge. As of June 30, 2011, the fair value of the hedge was \$5 million and was recorded in other noncurrent liabilities on the accompanying consolidated balance sheets (unaudited). For the three and six months ended June 30, 2011, we recorded interest income of \$1 million and nil, respectively.

In 2009, Sasol-Huntsman entered into derivative transactions to hedge the variable interest rate associated with its local credit facility. These derivative rate hedges include a floating to fixed interest rate contract providing Sasol-Huntsman with EURIBOR interest payments for a fixed payment of 3.62% and a cap for future periods with a strike price of 3.62%. In connection with the consolidation of Sasol-Huntsman as of April 1, 2011, the interest rate contract is now included in our consolidated results. See "Note 5. Variable Interest Entities." The notional amount of the hedge as of June 30, 2011 is €54 million (approximately \$77 million) and the derivative transactions do not qualify for hedge

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

accounting. As of June 30, 2011, the fair value of this hedge was €1 million (approximately \$2 million) and was recorded in other noncurrent liabilities on the accompanying condensed consolidated balance sheets (unaudited).

In conjunction with the issuance of \$350 million of 8.625% senior subordinated notes due 2020, we entered into cross-currency interest rate contracts with three counterparties. On March 17, 2010, we paid \$350 million to these counterparties and received €255 million from these counterparties and at maturity on March 15, 2015 we are required to pay €255 million and will receive \$350 million. On March 15 and September 15 of each year, we will receive U.S. dollar interest payments of approximately \$15 million (equivalent to an annual rate of 8.625%) and make interest payments of approximately €11 million (equivalent to an annual rate of approximately 8.41%). This swap is designated as a hedge of net investment for financial reporting purposes. As of June 30, 2011, the fair value of this swap was \$5 million and was recorded as noncurrent liabilities in our condensed consolidated balance sheet (unaudited). For the three months and six months ended June 30, 2011, the effective portion of the changes in the fair value of \$9 million and \$24 million, respectively was recorded at a loss in other comprehensive income.

As of and for the three months and six months ended June 30, 2011, the changes in fair value of the realized gains (losses) recorded in the accompanying condensed consolidated statements of operations (unaudited) of our other outstanding foreign currency rate hedging contracts and derivatives were not considered significant.

A significant portion of our intercompany 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 loss. From time to time, we review such designation of intercompany loans.

From time to time, we review our non-U.S. dollar denominated debt and swaps to determine the appropriate amounts designated as hedges. As of June 30, 2011, we have designated €363 million (approximately \$521 million) of euro-denominated debt and cross-currency interest rate swap as a hedge of our net investments. For the three and six months ended June 30, 2011, the amount of loss recognized on the hedge of our net investments was \$12 million and \$35 million and was recorded as a loss in other comprehensive loss. As of June 30, 2011, we had €1,050 million (approximately \$1,507 million) in net euro assets.

[Table of Contents](#)

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

9. FAIR VALUE

The fair values of financial instruments were as follows (dollars in millions):

	June 30, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Non-qualified employee benefit plan investments	\$ 12	\$ 12	\$ 11	\$ 11
Cross-currency interest rate contracts	(5)	(5)	19	19
Interest rate contracts	(12)	(12)	(9)	(9)
Long-term debt (including current portion)	(4,175)	(4,372)	(4,146)	(4,371)

The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The fair value of nonqualified employee benefit plan investments is estimated using prevailing market prices. The estimated fair values of our long-term debt are based on quoted market prices for the identical liability when traded as an asset in an active market.

The fair value estimates presented herein are based on pertinent information available to management as of June 30, 2011 and December 31, 2010. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since June 30, 2011, and current estimates of fair value may differ significantly from the amounts presented herein.

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

Description	June 30, 2011	Fair Value Amounts Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Available-for-sale equity securities:				
Equity mutual funds	\$ 12	\$ 12	\$	\$
Liabilities:				
Derivatives:				
Cross-currency interest rate contracts(1)	\$ (5)	\$	\$	\$ (5)
Interest rate contracts(2)	(12)		(12)	
Total liabilities	\$ (17)	\$	\$ (12)	\$ (5)

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

9. FAIR VALUE (Continued)

Description	December 31, 2010	Fair Value Amounts Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Available-for-sale equity securities:				
Equity mutual funds	\$ 11	\$ 11	\$	
Derivatives:				
Cross-currency interest rate contracts(1)	19			19
Total assets	\$ 30	\$ 11	\$	\$ 19
Liabilities:				
Derivatives:				
Interest rate contracts(2)	\$ (9)	\$	\$ (9)	\$

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

The following table shows a reconciliation of beginning and ending balances for instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (dollars in millions):

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Three months ended June 30, 2011		Six months ended June 30, 2011	
	Cross-Currency Interest Rate Contracts		Cross-Currency Interest Rate Contracts	
Beginning balance	\$	4	\$	19
Total gains or losses				
Included in earnings				
Included in other comprehensive income (loss)		(9)		(24)
Purchases, issuances, sales and settlements				
Ending balance June 30, 2011	\$	(5)	\$	(5)
The amount of total gains (losses) for the period included in earnings earnings attributable to the change in unrealized gains (losses) relating to assets still held at	\$		\$	

June 30, 2011

35

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

9. FAIR VALUE (Continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Three months ended June 30, 2010		Six months ended June 30, 2010		
	Cross-Currency Interest Rate Contract		Retained Interest in Securitized Receivables	Cross-Currency Interest Rate Contract	Total
Beginning balance	\$	4	\$	262	\$ 262
Total gains or losses					
Included in earnings		15		14	14
Included in other comprehensive income (loss)		32		37	37
Purchases, issuances, sales and settlements (1)			(262)		(262)
Ending balance June 30, 2010	\$	51	\$	51	\$ 51
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at June 30, 2010					
	\$	15	\$	14	\$ 14

(1)

Upon adoption of ASU 2009-16, sales of our accounts receivable under our A/R Programs no longer met the criteria for derecognition. Accordingly, beginning January 1, 2010, the amounts outstanding under the A/R Programs were accounted for as secured borrowings and the retained interest in securitized receivables was no longer relevant.

Gains and losses (realized and unrealized) included in earnings for the three and six months ended June 30, 2011 and 2010, respectively, are reported in interest expense and other comprehensive loss as follows (dollars in millions):

	Three months ended June 30, 2011		Six months ended June 30, 2011	
	Interest expense	Other comprehensive loss	Interest expense	Other comprehensive loss
Total net gains included in earnings	\$	\$	\$	\$
Changes in unrealized losses relating to assets still held at June 30, 2011		(9)		(24)

	Three months ended June 30, 2010		Six months ended June 30, 2010	
	Interest expense	Other comprehensive loss	Interest expense	Other comprehensive loss
Total net gains included in earnings	\$ 15	\$	\$ 14	\$
Changes in unrealized gains (losses) relating to assets still held at June 30, 2010	15	32	14	37

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****10. EMPLOYEE BENEFIT PLANS**

Components of the net periodic benefit costs for the three and six months ended June 30, 2011 and 2010 were as follows (dollars in millions):

Huntsman Corporation

	Defined Benefit Plans		Other Postretirement	
	Three Months Ended		Benefit Plans	
	June 30,		Three Months Ended	
	2011	2010	2011	2010
Service cost	\$ 17	\$ 16	\$ 1	\$ 1
Interest cost	39	35	2	2
Expected return on assets	(48)	(40)		
Amortization of prior service cost	(2)	(2)		
Amortization of actuarial loss	7	6		
Net periodic benefit cost	\$ 13	\$ 15	\$ 3	\$ 3

	Defined Benefit Plans		Other Postretirement	
	Six Months Ended		Benefit Plans	
	June 30,		Six Months Ended	
	2011	2010	2011	2010
Service cost	\$ 33	\$ 33	\$ 2	\$ 2
Interest cost	77	71	4	4
Expected return on assets	(94)	(82)		
Amortization of prior service cost	(3)	(3)	(1)	(1)
Amortization of actuarial loss	14	12		
Net periodic benefit cost	\$ 27	\$ 31	\$ 5	\$ 5

Huntsman International

	Defined Benefit Plans		Other Postretirement	
	Three Months Ended		Benefit Plans	
	June 30,		Three Months Ended	
	2011	2010	2011	2010
Service cost	\$ 17	\$ 16	\$ 1	\$ 1
Interest cost	39	35	2	2
Expected return on assets	(48)	(40)		
Amortization of prior service cost	(2)	(2)		
Amortization of actuarial loss	9	7		

Net periodic benefit cost	\$	15	\$	16	\$	3	\$	3
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[Table of Contents](#)**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****10. EMPLOYEE BENEFIT PLANS (Continued)**

	Defined Benefit Plans		Other Postretirement	
	Six Months Ended		Benefit Plans	
	June 30,		Six Months Ended	
	2011	2010	2011	2010
Service cost	\$ 33	\$ 33	\$ 2	\$ 2
Interest cost	77	71	4	4
Expected return on assets	(94)	(82)		
Amortization of prior service cost	(3)	(3)	(1)	(1)
Amortization of actuarial loss	17	15		
Net periodic benefit cost	\$ 30	\$ 34	\$ 5	\$ 5

During the six months ended June 30, 2011 and 2010, we made contributions to our pension and other postretirement benefit plans of \$96 million and \$72 million, respectively. During the remainder of 2011, we expect to contribute an additional amount of \$68 million to these plans.

11. HUNTSMAN CORPORATION STOCKHOLDERS' EQUITY**COMMON STOCK DIVIDENDS**

On each of June 30, 2011 and March 31, 2011, we paid cash dividends of \$24 million, or \$0.10 per share, to common stockholders of record as of June 15, 2011 and March 15, 2011, respectively. On each of June 30, 2010 and March 31, 2010, we paid cash dividends of \$24 million, or \$0.10 per share, to common stockholders of record as of June 15, 2010 and March 15, 2010, respectively.

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****12. OTHER COMPREHENSIVE INCOME (LOSS)**

The components of other comprehensive income (loss) were as follows (dollars in millions):

Huntsman Corporation

	Accumulated other comprehensive income (loss)		Other comprehensive income (loss)			
	June 30, 2011	December 31, 2010	Three Months Ended June 30, 2011	June 30, 2010	Six Months Ended June 30, 2011	June 30, 2010
Foreign currency translation adjustments, net of tax of \$16 and \$25 as of June 30, 2011 and December 31, 2010, respectively	\$ 445	\$ 298	\$ 56	\$ (63)	\$ 147	\$ (113)
Pension and other postretirement benefit adjustments, net of tax of \$90 and \$92 as of June 30, 2011 and December 31, 2010, respectively	(605)	(613)	4	4	8	10
Other comprehensive income of unconsolidated affiliates	7	7				
Other, net	5	4		(5)	1	(5)
Total	(148)	(304)	60	(64)	156	(108)
Amounts attributable to noncontrolling interests	6	7			(1)	
Amounts attributable to Huntsman Corporation	\$ (142)	\$ (297)	\$ 60	\$ (64)	\$ 155	\$ (108)

Huntsman International

	Accumulated other comprehensive income (loss)		Other comprehensive income (loss)			
	June 30, 2011	December 31, 2010	Three Months Ended June 30, 2011	June 30, 2010	Six Months Ended June 30, 2011	June 30, 2010
Foreign currency translation adjustments, net of tax of \$3 and \$12 as of June 30, 2011 and December 31, 2010, respectively	\$ 444	\$ 296	\$ 55	\$ (63)	\$ 148	\$ (114)
Pension and other postretirement benefit adjustments, net of tax of \$122 and \$124 as of June 30, 2011 and December 31, 2010, respectively	(652)	(663)	6	5	11	13
Other comprehensive income of unconsolidated affiliates	7	7				
Other, net	(1)	(1)		(5)		(5)
Total	(202)	(361)	61	(63)	159	(106)
Amounts attributable to noncontrolling interests	6	7			(1)	
Amounts attributable to Huntsman International LLC	\$ (196)	\$ (354)	\$ 61	\$ (63)	\$ 158	\$ (106)

Items of other comprehensive income (loss) of our Company and our consolidated affiliates have been recorded net of tax, with the exception of the foreign currency translation adjustments related to subsidiaries with earnings permanently reinvested. The tax effect is determined based upon the jurisdiction where the income or loss was recognized and is net of valuation allowances.

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****13. COMMITMENTS AND CONTINGENCIES****LEGAL MATTERS****Asbestos Litigation**

We have been named as a "premises defendant" in a number of asbestos exposure cases, typically claims by nonemployees 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 seventeen-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.

	Six months ended June 30,	
	2011	2010
Unresolved at beginning of period	1,116	1,138
Tendered during period	9	21
Resolved during period(1)	39	14
Unresolved at end of period	1,086	1,145

(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 June 30, 2011, we had an accrued liability of \$13 million relating to these cases and a corresponding receivable of \$13 million relating to our indemnity protection with respect to these cases. We cannot assure you that our liability

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****13. COMMITMENTS AND CONTINGENCIES (Continued)**

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; accordingly, 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 June 30, 2011.

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. Certain prior cases that were filed in error against us have been dismissed.

	Six months ended June 30,	
	2011	2010
Unresolved at beginning of period	37	39
Filed during the period	8	1
Resolved during period	5	2
Unresolved at end of period	40	38

We paid gross settlement costs for asbestos exposure cases that are not subject to indemnification of \$342,000 and \$200,000 during the six months ended June 30, 2011 and 2010, respectively. As of June 30, 2011, we had an accrual of \$337,500 relating 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; accordingly, 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 June 30, 2011.

Antitrust Matters

We have been named as a defendant in civil class action 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 U.S. in violation of the federal Sherman Act. These cases are consolidated as the "Polyether Polyols" cases in multidistrict litigation pending in the U.S. District Court for the District of Kansas.

In addition, we and the other Polyether Polyol defendants have been named as defendants in three civil antitrust suits brought by certain direct purchasers of polyether polyol products that opted out of the class certified in the Kansas multidistrict litigation. The relevant time frame for these cases is 1994 to 2004 and they are referred to as the "direct action cases."

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

13. COMMITMENTS AND CONTINGENCIES (Continued)

The class action and the direct action cases have been consolidated in the Kansas court for the purposes of discovery and other pretrial matters. Discovery in the direct action cases is ongoing and we do not anticipate a trial of the direct action cases until 2013.

On May 26, 2011, we entered into a settlement agreement with the class plaintiffs. Although we vigorously deny any wrongdoing alleged in the litigation, we determined to enter into the settlement to avoid the substantial burdens and uncertainties inherent in complex business litigation.

Under the settlement agreement, we paid \$11 million into an escrow fund for the benefit of the class on June 27, 2011 after the court preliminarily approved the settlement. We will pay an additional \$11 million within one year thereafter and a third \$11 million payment within two years of the initial payment. In exchange for these payments, we will receive from the class a release and discharge of all claims against us, as described in the settlement agreement. The settlement is subject to final approval by the court after notice is given to the class members. The hearing on final approval is scheduled for September 27, 2011.

We fully accrued for this matter in prior quarters. The settlement does not resolve the direct action cases nor the other pending antitrust litigation described below.

Two purported class action cases were filed May 5 and 17, 2006 in the Superior Court of Justice, Ontario Canada and Superior Court, Province of Quebec, District of Quebec, by direct purchasers of MDI, TDI and polyether polyols and by indirect purchasers of these products. The class certification hearing is scheduled for April 2, 2012. A purported class action case filed February 15, 2002 by purchasers of products containing rubber and urethanes products and pending in Superior Court of California, County of San Francisco is stayed pending resolution of the Kansas multidistrict litigation. The plaintiffs in each of these matters make similar claims against the defendants as the class plaintiffs in the Kansas multidistrict litigation.

We have been named as a defendant in two purported class action civil antitrust suits alleging that we and our co-defendants and other co-conspirators conspired to fix prices of titanium dioxide sold in the U.S. between at least March 1, 2002 and the present. The cases were filed on February 9 and 12, 2010 in the U.S. District Court for the District of Maryland and a consolidated complaint was filed on April 12, 2010. The other defendants named in this matter are E.I. du Pont de Nemours and Company, Kronos Worldwide Inc., Millennium Inorganic Chemicals, Inc. and the National Titanium Dioxide Company Limited (d/b/a Cristal). A class certification hearing is scheduled for August 16, 2012 and trial is set to begin September 9, 2013. Discovery is ongoing.

In all of the antitrust litigation currently pending against us, the plaintiffs generally are seeking injunctive relief, treble damages, costs of suit and attorneys fees. We are not aware of any illegal conduct by us or any of our employees. Nevertheless, we have incurred costs relating to these claims and could incur additional costs in amounts material to us.

Port Arthur Plant Fire Insurance Litigation Settlement

On April 29, 2006, our former Port Arthur, Texas olefins manufacturing plant (which we sold to Flint Hills Resources in November 2007) experienced a major fire. The plant was covered by property damage and business interruption insurance through International Risk Insurance Company ("IRIC"),

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

13. COMMITMENTS AND CONTINGENCIES (Continued)

our captive insurer, and certain reinsurers (the "Reinsurers"). The property damage and business interruption insurance was subject to a combined deductible of \$60 million. We, together with IRIC, asserted claims to the Reinsurers related to losses occurring as a result of this fire. On August 31, 2007, the Reinsurers brought an action against us in the U.S. District Court for the Southern District of Texas. The action sought to compel us to arbitrate with the Reinsurers to resolve disputes related to our claims or, in the alternative, to declare judgment in favor of the Reinsurers. Pursuant to a December 29, 2008 agreement, we participated with the Reinsurers in binding arbitration. We paid our deductible on the claim of \$60 million and were paid \$365 million by the Reinsurers prior to the commencement of binding arbitration. On May 14, 2010, we entered into a settlement agreement with the Reinsurers, including those Reinsurers that did not participate in the arbitration proceedings that resolved the remainder of our insurance claim for a total amount of \$110 million. The Reinsurers completed the payment of this amount on June 15, 2010.

As a result of this settlement, we recognized a gain of \$110 million in discontinued operations during the second quarter of 2010, the proceeds of which were used to repay secured debt in accordance with relevant provisions of the agreements governing our senior secured credit facilities. Of the \$110 million payment, \$34 million was reflected within the statement of cash flows as cash flows from investing activities and the remaining \$76 million was reflected as cash flows from operating activities.

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.

14. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

GENERAL

We are subject to extensive federal, state, local and international 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.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

14. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

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 six months ended June 30, 2011 and 2010 our capital expenditures for EHS matters totaled \$34 million and \$24 million, respectively. Because capital expenditures for these matters are subject to evolving regulatory requirements and depend, in part, on the timing, promulgation and enforcement of specific requirements, our capital expenditures for EHS matters have varied significantly from year to year and 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 waste that was 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 Comprehensive Environmental Response, Compensation and Liability Act ("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. Outside the U.S., analogous contaminated property laws, such as those in effect in France and Australia, can hold past owners and/or operators liable for remediation at former facilities. 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.

One of these sites, the North Maybe Canyon Mine CERCLA site, includes an abandoned phosphorous mine near Soda Springs, Idaho believed to have been operated by one of our predecessor companies (El Paso Products Company). In 2004, the U.S. Forest Service notified us that we are a CERCLA Potentially Responsible Party (a "PRP") for the mine site involving selenium contaminated

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

14. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

surface water. Under a 2004 administrative order, the current mine lessee, Nu-West Industries, Inc., began undertaking the investigation required for a CERCLA removal process. In 2008, the site was transitioned to the CERCLA remedial action process, which requires a Remedial Investigation/Feasibility Study (an "RI/FS"). In 2009, the Forest Service notified the three PRPs (our Company, Nu-West and Wells Cargo) that it would undertake the RI/FS itself. On February 19, 2010, in conjunction with Wells Cargo, we agreed to jointly comply with a unilateral administrative order (a "UAO") to conduct an RI/FS of the entire West Ridge of the site, although we are alleged to have had only a limited historical presence in the investigation area. In March 2010, following the initiation of litigation by Nu-West, the Forest Service assumed Nu-West's original investigation obligations. On June 15, 2010, we received the UAO which had been executed by the Forest Service and we are presently carrying out the requirements of the order. We continue to coordinate with our insurers regarding policy coverage in this matter. At this time, we do not believe the costs to remediate this site will be material to our financial condition, results of operations, or cash flows.

In addition, under the Resource Conservation and Recovery Act ("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. Similar laws exist in a number of locations in which we currently operate, or previously operated, manufacturing facilities, such as Australia, Switzerland and Italy.

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. In October 2010, the local authorities approved our proposed two-phase remedial approach. The first phase was installed in 2011 and involves groundwater extraction and treatment in one limited area of the site. The second phase, not yet defined, would proceed during site redevelopment. As the second phase remediation has not yet been defined, we are unable to assess the amount of any potential liability.

By letter dated March 7, 2006, our Base Chemicals and Polymers facility in West Footscray, Australia, was issued a clean-up notice by the Environment Protection Authority, Victoria, Australia (the "EPA Victoria") due to concerns about soil and groundwater contamination emanating from the site. The agency revoked the original clean-up notice on September 4, 2007 and issued a revised clean-up notice due to "the complexity of contamination issues" at the site. In the third quarter of 2009, we recorded a \$30 million liability related to estimated environmental remediation costs at this site. On August 23, 2010, EPA Victoria revoked the second clean-up notice and issued a revised notice that included a requirement for financial assurance for the remediation. We have now reached agreement with the agency that a mortgage on the land will be held by the agency as financial surety during the period covered by the current clean-up notice, which ends on July 30, 2014. We can provide no assurance that the agency will not seek to institute additional requirements for the site or that additional costs will not be associated with the clean up. This facility has been closed and demolished.

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

14. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

By letter dated March 15, 2010, the U.S. Department of Justice (the "DOJ") notified us that the U.S. Environmental Protection Agency (the "EPA") has requested that the DOJ bring an action in federal court against us and other PRPs for recovery of costs incurred by the U.S. in connection with releases of hazardous substances from the State Marine Superfund Site in Port Arthur, Texas. As of August 31, 2007, the EPA had incurred and paid approximately \$2.8 million in unreimbursed response costs related to the site. Prior to filing the complaint, the DOJ requested that PRPs sign and return a standard tolling agreement (from March 31, 2010 through September 30, 2010) and participate in settlement discussions. We originally responded to an information request regarding this site on March 7, 2005 and identified historical transactions associated with a predecessor of a company we acquired. The prior owners have contractually agreed to indemnify us in this matter. While the DOJ is aware of the indemnity, we may be required to participate in future settlement discussions; therefore, on March 29, 2010, we submitted the signed tolling agreement and offer to negotiate to the DOJ. The tolling agreement has since been extended through September 30, 2011.

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 the liabilities for all such matters subject to indemnity, will be honored by the prior owner 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 not honored or do not fully cover the costs of investigation and remediation or we are required to contribute to such costs, 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 total 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 calculated using present value techniques and are based upon requirements placed upon us by regulators, available facts, existing technology and past experience. The environmental liabilities do not include amounts recorded as asset retirement obligations. We had accrued \$41 million and \$48 million for environmental liabilities as of June 30, 2011 and December 31, 2010, respectively. Of these amounts, \$4 million and \$13 million were classified as accrued liabilities in our consolidated balance sheets as of June 30, 2011 and December 31, 2010, respectively, and \$37 million and \$35 million were classified as other noncurrent liabilities in our consolidated balance sheets as of June 30, 2011 and December 31, 2010, respectively. In certain cases, our remediation liabilities may be payable over

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

14. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

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

In December 2006, the EU parliament and EU council approved a new EU regulatory framework for chemicals called Registration, Evaluation and Authorization of Chemicals ("REACH"). 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 in or import into the European Economic Area ("EEA") more than one metric tonne 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 the risks in using the chemical are adequately controlled, and for chemicals where there are no suitable alternative substances or technologies available and 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, participate in mandatory data-sharing forums; acquire, generate and evaluate data; prepare and submit dossiers for substance registration; 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 we purchase or manufacture in, or import into, the EEA. We met pre-registration REACH compliance requirements by the November 30, 2008 regulatory deadline, with the exception of pre-registrations for two substances, for a total of 1,850 pre-registrations for substances that we intended to register. These two substances, along with the other high-volume and high-priority chemicals, were successfully registered under the program by the November 30, 2010 regulatory deadline. Although the total long-term cost for REACH compliance is not estimable at this time, we spent approximately \$9 million, \$3 million and \$2 million in 2010, 2009 and 2008, respectively, on REACH compliance. However, we cannot provide assurance that these recent expenditures will be indicative of future amounts required for REACH compliance.

GREENHOUSE GAS REGULATION

Although the existence of binding emissions limitations under international treaties such as the Kyoto Protocol is in doubt after 2012, we expect some or all of our operations to be subject to regulatory requirements to reduce emissions of greenhouse gases ("GHG"). Even in the absence of a new global agreement to limit GHGs, we may be subject to additional regulation under the European Union Emissions Trading System as well as new national and regional GHG trading programs. For example, our operations in Australia and selected U.S. states may be subject to future GHG regulations under emissions trading systems in those jurisdictions.

Because the United States has not adopted federal climate change legislation, domestic GHG efforts are likely to be guided by EPA regulations in the near future. While EPA's GHG programs are

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

14. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

currently subject to judicial challenge, our domestic operations may become subject to EPA's regulatory requirements when implemented. In particular, expansions of our existing facilities or construction of new facilities may be subject to the Clean Air Act's Prevention of Significant Deterioration Requirements under EPA's GHG "Tailoring Rule." In addition, certain aspects of our operations may be subject to GHG emissions monitoring and reporting requirements. If we are subject to EPA GHG regulations, we may face increased monitoring, reporting, and compliance costs.

We are already managing and reporting GHG emissions, to varying degrees, as required by law for our sites in locations subject to Kyoto Protocol obligations and/or EU emissions trading scheme requirements. Although these sites are subject to existing GHG legislation, few have experienced or anticipate significant cost increases as a result of these programs, although it is possible that GHG emission restrictions may increase over time. Potential consequences of such restrictions include capital requirements to modify assets to meet GHG emission restrictions 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.

Finally, it should be noted that some scientists have concluded that increasing concentrations of GHG in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climatic events. If any of those effects were to occur, they could have an adverse effect on our assets and operations.

CHEMICAL FACILITY ANTI-TERRORISM RULEMAKING

In 2007, the U.S. Department of Homeland Security ("DHS") issued the final "Chemical Facility Anti-Terrorism Standard." To comply, chemical manufacturing facilities using specified chemicals in threshold quantities were required to submit a "Top Screen" questionnaire to the DHS in 2008. Consequently, we submitted Top Screens for all of our covered facilities and later the DHS designated four of our facilities as "High Risk" sites. In late 2008, these four sites performed and submitted DHS-required security vulnerability assessments. DHS subsequently deemed one of these sites to be on a high security risk tier, and the other three to be on a lower security risk tier. The three lower-tiered sites submitted Site Security Plans ("SSPs") to the DHS, but security improvements recommended from the SSPs are not anticipated to be material. The higher-tiered site also submitted an SSP to the DHS, and DHS-required security upgrades were estimated to cost \$8 million to \$10 million to be spent during 2011 and 2012. During the six months ended June 30, 2011, we spent approximately \$2 million on these security upgrades. However, in June 2011, the DHS unexpectedly lowered the high-tiered site's risk ranking one level. Consequently, security upgrades are not expected to be as costly as originally projected for the higher-level ranking. Additional security upgrades will be required, but the extent and cost of these upgrades cannot be determined until the facility meets with the DHS to review the ranking change.

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

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

14. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)

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 TBA 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 numerous cases in U.S. courts that allege MTBE contamination in groundwater. The plaintiffs in the MTBE groundwater contamination cases generally seek compensatory damages, punitive damages, injunctive relief, such as monitoring and abatement, and attorney fees. Between 2007 and 2009, we were named as a defendant in 18 of these lawsuits in New York state and federal courts, which we settled in an amount immaterial to us.

It is possible that we could be named as a defendant in 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.

INDIA INVESTIGATION

During the third quarter of 2010, we completed an internal investigation of the operations of Petro Araldite Pvt. Ltd. ("PAPL"), our majority owned joint venture in India. PAPL manufactures base liquid resins, base solid resins and formulated products in India. The investigation initially focused on allegations of illegal disposal of hazardous waste and waste water discharge and related reporting irregularities. Based upon preliminary findings, the investigation was expanded to include a review of the production and off-book sales of certain products and waste products. The investigation included the legality under Indian law and U.S. law, including the U.S. Foreign Corrupt Practices Act, of certain payments made by employees of the joint venture to government officials in India. Records at the facility covering nine months in 2009 and early 2010 show that less than \$11,000 in payments were made to officials for that period; in addition, payments in unknown amounts may have been made by individuals from the facility in previous years.

In May and July 2010, PAPL fully disclosed the environmental noncompliance issues to the local Indian environmental agency, the Tamil Nadu Pollution Control Board ("TNPCB"). All environmental compliance and reporting issues have been addressed to the agency's satisfaction other than the use of freshwater for the dilution of wastewater effluent discharges and the remediation of several off-site solid waste disposal areas. Also in May 2010, we voluntarily contacted the U.S. Securities and Exchange Commission (the "SEC") and the DOJ to advise them of our investigation and that we intend to cooperate fully with each of them. We met with the SEC and the DOJ in October 2010 to discuss this matter and we continue to cooperate with these agencies. Steps have been taken to halt all known illegal or improper activity. These steps included the termination of employment of management

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****14. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS (Continued)**

employees as appropriate. TNPCB directed us to submit a plan for the remediation of the off-site waste disposal areas and the plan was approved. The impacted off-site soil has been excavated and relocated to the site. Final disposal methods for the removed waste await approval from TNPCB.

No conclusions can be drawn at this time as to whether any government agencies will open formal investigations of these matters or what remedies such agencies may seek. Governmental agencies could assess material civil and criminal penalties and fines against PAPL and potentially against us and could issue orders that adversely affect the operations of PAPL. We cannot, however, determine at this time the magnitude of the penalties and fines that could be assessed, the total costs to remediate the prior noncompliance or the effects of implementing any necessary corrective measures on PAPL's operations.

15. STOCK-BASED COMPENSATION PLANS

Under the Huntsman Corporation Stock Incentive Plan, as amended and restated (the "Stock Incentive Plan"), a plan approved by stockholders, we may grant nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, phantom stock, performance awards and other stock-based awards to our employees, directors and consultants and to employees and consultants of our subsidiaries, provided that incentive stock options may be granted solely to employees. The terms of the grants are fixed at the grant date. As of June 30, 2011, we were authorized to grant up to 32.6 million shares under the Stock Incentive Plan. As of June 30, 2011, we had 10.3 million shares remaining under the Stock Incentive Plan available for grant. Option awards have a maximum contractual term of 10 years and generally must have an exercise price at least equal to the market price of our common stock on the date the option award is granted. Stock-based awards generally vest over a three-year period.

The compensation cost from continuing operations under the Stock Incentive Plan for our Company and Huntsman International were as follows (dollars in millions):

	Three months ended		Six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Huntsman Corporation	\$ 8	\$ 5	\$ 16	\$ 12
Huntsman International	\$ 8	\$ 5	\$ 15	\$ 11

The total income tax benefit recognized in the statements of operations for us and Huntsman International for stock-based compensation arrangements was \$4 million and \$3 million, for each of the six months ended June 30, 2011 and 2010, respectively.

[Table of Contents](#)**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****15. STOCK-BASED COMPENSATION PLANS (Continued)****STOCK OPTIONS**

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes valuation model that uses the assumptions noted in the following table. Expected volatilities are based on the historical volatility of our common stock through the grant date. The expected term of options granted was estimated based on the contractual term of the instruments and employees' expected exercise and post-vesting employment termination behavior. The risk-free rate for periods within the contractual life of the option was based on the U.S. Treasury yield curve in effect at the time of grant. The assumptions noted below represent the weighted average of the assumptions utilized for stock options granted during the periods.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Dividend yield	NA	NA	3.3%	3.0%
Expected volatility	NA	NA	65.6%	69.0%
Risk-free interest rate	NA	NA	2.8%	3.1%
Expected life of stock options granted during the period	NA	NA	6.6 years	6.6 years

During each of the three months ended June 30, 2011 and 2010, no stock options were granted.

A summary of stock option activity under the Stock Incentive Plan as of June 30, 2011 and changes during the six months then ended is presented below:

Option Awards	Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2011	10,997	\$ 12.28		
Granted	941	17.59		
Exercised	(1,226)	2.82		
Forfeited	(99)	5.80		
Outstanding at June 30, 2011	10,613	13.90	6.4	\$ 66
Exercisable at June 30, 2011	7,322	16.42	5.5	31

The weighted-average grant-date fair value of stock options granted during the six months ended June 30, 2011 was \$9.22 per option. As of June 30, 2011, there was \$10 million of total unrecognized compensation cost related to nonvested stock option arrangements granted under the Stock Incentive Plan. That cost is expected to be recognized over a weighted-average period of approximately 1.1 years.

The total intrinsic value of stock options exercised during the six months ended June 30, 2011 and 2010 was \$19 million and \$9 million, respectively.

[Table of Contents](#)**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****15. STOCK-BASED COMPENSATION PLANS (Continued)****NONVESTED SHARES**

Nonvested shares granted under the Stock Incentive Plan consist of restricted stock, which is accounted for as an equity award, and phantom stock, which is accounted for as a liability award because it can be settled in either stock or cash. A summary of the status of our nonvested shares as of June 30, 2011 and changes during the three months then ended is presented below:

	Equity Awards		Liability Awards	
	Shares	Weighted Average Grant-Date Fair Value	Shares	Weighted Average Grant-Date Fair Value
	(in thousands)		(in thousands)	
Nonvested at January 1, 2011	3,126	\$ 6.95	1,642	\$ 6.05
Granted	669	17.61	311	17.59
Vested	(1,485)(1)	7.17	(726)	5.54
Forfeited	(8)	4.57	(71)	8.85
Nonvested at June 30, 2011	2,302	9.92	1,156	9.30

(1)

As of June 30, 2011, a total of 422,305 restricted stock units were vested, of which 93,173 vested during the six months ended June 30, 2011. Only 176,327 of these shares have been reflected as vested shares in this table because, in accordance with the restricted stock unit agreements, shares of common stock are not issued for vested restricted stock units until termination of employment.

As of June 30, 2011, there was \$32 million of total unrecognized compensation cost related to nonvested share compensation arrangements granted under the Stock Incentive Plan. That cost is expected to be recognized over a weighted-average period of approximately 1.4 years. The value of share awards that vested during the six months ended June 30, 2011 and 2010 was \$23 million and \$18 million, respectively.

16. 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 on a 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 for each jurisdiction. During the six months ended June 30, 2011, we released valuation allowances of \$6 million on certain net deferred tax assets in Luxembourg. During the six months ended June 30, 2010, we released a valuation allowance of \$14 million on certain net deferred tax assets in Australia.

During the six months ended June 30, 2011, we recorded a net increase in unrecognized tax benefits with a corresponding income tax expense of approximately \$1 million and during the six months ended June 30, 2010 we recorded a net decrease in unrecognized tax benefits with a

Table of Contents**HUNTSMAN CORPORATION AND SUBSIDIARIES****HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****16. INCOME TAXES (Continued)**

corresponding income tax benefit of \$7 million, resulting from the settlement of tax audits, the effective settlement of certain tax positions and the expiration of statutes of limitations, net of current year additions.

HUNTSMAN CORPORATION

In addition to the tax benefits resulting from the valuation allowance release and the tax effects resulting from the unrecognized tax benefit items discussed above, during the six months ended June 30, 2011 and 2010 we recognized \$1 million and \$13 million of tax benefit, respectively, on \$3 million and \$162 million of loss on early extinguishment of debt (the majority of the 2010 loss is not deductible for tax purposes). Excluding these items, we recorded income tax expense of \$62 million and \$39 million for the six months ended June 30, 2011 and 2010, respectively. Our tax obligations are affected by the mix of income and losses in the tax jurisdictions in which we operate.

HUNTSMAN INTERNATIONAL

In addition to the tax benefits resulting from the valuation allowance release and the tax effects resulting from the unrecognized tax benefit items discussed above, during the six months ended June 30, 2011 and 2010 Huntsman International recognized \$1 million and \$5 million of tax benefit, respectively, on \$3 million and \$16 million of loss on early extinguishment of debt. Excluding these items, Huntsman International recorded income tax expense of \$62 million and \$42 million for the six months ended June 30, 2011 and 2010, respectively. Our tax obligations are affected by the mix of income and losses in the tax jurisdictions in which we operate.

17. DISCONTINUED OPERATIONS**AUSTRALIAN STYRENICS BUSINESS SHUTDOWN**

During the first quarter of 2010, we ceased operation of our former Australian styrenics business. The following results of operations of our former Australian styrenics business have been presented as discontinued operations in the accompanying condensed consolidated statements of operations (unaudited) (dollars in millions):

	Three months ended		Six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Revenues	\$ 9	\$ 10	\$ 18	\$ 35
Costs and expenses	(11)	(17)	(41)	(62)
Operating loss	(2)	(7)	(23)	(27)
Income tax benefit	1	1	8	9
Loss from discontinued operations, net of tax	\$ (1)	\$ (6)	\$ (15)	\$ (18)

In 2006, product defect actions were filed against our subsidiary Huntsman Chemical Company Australia Pty Ltd ("HCCA") in Australian courts relating to the sale and supply of vinyl ester resins

Table of Contents

HUNTSMAN CORPORATION AND SUBSIDIARIES

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

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

17. DISCONTINUED OPERATIONS (Continued)

that were used in the manufacture of fiberglass swimming pools. HCCA ceased manufacturing these resins by 2004 and sold the business that manufactured and sold these resins in 2007.

In 2010 and 2011, the courts found HCCA liable for damage to certain swimming pools and one court issued a ruling awarding \$87,000 per pool for each of 423 known damaged pools, plus an additional 143 pools that could potentially fail plus economic damages, costs and interest in amounts still to be determined.

These and other related claims were tendered to HCCA's insurers, who continue to defend these matters. During the first quarter of 2011, HCCA increased its estimate of potential loss related to these claims and recorded a liability for the full estimated value of the claims and a corresponding receivable relating to our indemnity protection with a net charge to discontinued operations for any potential shortfall in insurance coverage.

U.S. BASE CHEMICALS AND NORTH AMERICAN POLYMERS DISPOSITIONS

In 2007, we completed the sale of our former U.S. base chemicals business (the "U.S. Base Chemicals Disposition") and our North American polymers business assets (the "North American Polymers Disposition"). The results of these former businesses are presented as discontinued operations in the accompanying condensed consolidated statements of operations (unaudited).

During the three and six months ended June 30, 2010, we recorded after tax income from discontinued operations related to our former U.S. base chemicals and North American polymers businesses of \$68 million and \$67 million, respectively, which consist