Huntsman CORP
Form S-1
November 24, 2004

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As filed with the Securities and Exchange Commission on November 24, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Huntsman Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware	**2800**	**42-1648585**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

**500 Huntsman Way
Salt Lake City, UT 84108
(801) 584-5700**
(Address, Including Zip Code and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

**Samuel D. Scruggs
Executive Vice President, General Counsel and Secretary
Huntsman Corporation
500 Huntsman Way
Salt Lake City, UT 84108
(801) 584-5700**
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

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Vinson & Elkins L.L.P.	**Skadden, Arps, Slate, Meagher & Flom LLP**
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(713) 758-2222	**(212) 735-3000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box: o

CALCULATION OF REGISTRATION FEE

Title of Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, $0.01 par value	$ 1,610,000,000	$ 203,987

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) promulgated under the Securities Act. Includes proceeds from the sale of shares which the Underwriters have the option to purchase to cover over-allotments, if any, and proceeds from the sale of shares by the selling stockholder.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 24, 2004

P R O S P E C T U S

Huntsman Corporation

Shares

Common Stock

This is an initial public offering of our common stock. We currently expect the initial public offering price to be between $ and $ per share. We have applied to have the common stock listed on the New York Stock Exchange under the symbol "HUN."

We are selling shares of common stock and the selling stockholder named in this prospectus is selling shares. The shares being sold by the selling stockholder will represent less than 10% of the aggregate number of shares being sold in this offering. We will not receive any proceeds from the sale of shares by the selling stockholder.

We and the selling stockholder have granted the underwriters an option to purchase up to additional shares of common stock to cover over-allotments.

Investing in our common stock involves risks. See "Risk Factors" on page 15.

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

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Huntsman Corporation (before expenses)	$	$
Proceeds to the selling stockholder (before expenses)	$	$

The Underwriters expect to deliver the shares to purchasers on or about , 2004.

Citigroup

Credit Suisse First Boston

Merrill Lynch & Co.

Deutsche Bank Securities

The date of this prospectus is , 2004.

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

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

Industry and Market Data

This prospectus includes information with respect to market share, industry conditions and forecasts that we obtained from internal industry research, publicly available information (including industry publications and surveys), and surveys and market research provided by consultants (including Nexant, Inc., an international consulting and research firm ("Nexant"), Chemical Market Associates, Inc., an international consulting and research firm ("CMAI"), International Business Management Associates, an industry research and consulting firm ("IBMA"), and others). The publicly available information and the reports, forecasts and other research provided by consultants generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy and completeness of such information. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, our internal research and forecasts are based upon our management's understanding of industry conditions, and such information has not been verified by any independent sources. As is noted, certain statements in this prospectus are based on information provided by consultants that we commissioned to provide us with the referenced information.

PROSPECTUS SUMMARY

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

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

In this prospectus, "Huntsman Corporation," the "company," "we," "us" or "our" refer to Huntsman Corporation and its subsidiaries, including our predecessor Huntsman Holdings, LLC after giving effect to the Reorganization Transaction, except where the context makes clear that the reference is only to Huntsman Corporation itself and not its subsidiaries. Huntsman Holdings, LLC has conducted its operations through three principal subsidiaries: Huntsman LLC, Huntsman International Holdings LLC and Huntsman Advanced Materials LLC. In this prospectus, the term "HLLC" refers to Huntsman LLC and, unless the context otherwise requires, its subsidiaries, the term "HIH" refers to Huntsman International Holdings LLC and, unless the context otherwise requires, its subsidiaries, and the term "Advanced Materials" refers to Huntsman Advanced Materials LLC and, unless the context otherwise requires, its subsidiaries. A glossary of chemical abbreviations used in this prospectus begins on page 166.

Overview

We are among the world's largest global manufacturers of differentiated and commodity chemical products. We manufacture a broad range of chemical products and formulations, which we market in more than 100 countries to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, durable and non-durable consumer products, electronics, medical, packaging, paints and coatings, power generation, refining and synthetic fiber industries. We are a leading global producer in many of our key product lines, including MDI, amines, surfactants, epoxy- based polymer formulations, maleic anhydride and titanium dioxide. We operate 63 manufacturing facilities located in 22 countries and employ over 11,500 associates. Our businesses benefit from significant vertical integration, large production scale and proprietary manufacturing technologies, which allow us to maintain a low-cost position. We had pro forma revenues for the nine months ended September 30, 2004 and the year ended December 31, 2003 of $8.4 billion and $9.3 billion, respectively.

Our Products and Segments

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

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

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

Segment Revenues*	Segment EBITDA*

* Percentage allocations in the segment revenues chart above reflect the allocation of all inter-segment revenue eliminations to our Base Chemicals segment. Percentage allocations in the segment EBITDA chart above do not give effect to $54.1 million of corporate and other unallocated items and exclude $202.4 million of restructuring and plant closing costs. For a detailed discussion of our EBITDA by segment, see Note 21 to the Unaudited Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus. For a discussion of EBITDA and a reconciliation of EBITDA to net income, see "Summary Historical and Pro Forma As Adjusted Financial Data."

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

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

Polyurethanes

We are a leading global manufacturer and marketer of a broad range of polyurethane chemicals, including MDI, PO, polyols, PG, TDI and TPU. Polyurethane chemicals are used to produce rigid and flexible foams, as well as coatings, adhesives, sealants and elastomers. We focus on the higher-margin, higher-growth markets for MDI and MDI-based polyurethane systems. Growth in our Polyurethanes segment has been driven primarily by the continued substitution of MDI-based products for other materials across a broad range of applications. As a result, according to Nexant, global consumption of MDI grew at a compound annual growth rate of 7.3% from 1992 to 2003. Our Polyurethanes segment is widely recognized as an industry leader in utilizing state-of-the-art application technology to develop new polyurethane systems and applications. In 2003 approximately 20% of the revenues from our MDI-based products were generated from products and applications introduced in the previous three years. According to Nexant, we are the lowest-cost and second-largest producer of MDI in the world. We operate four primary Polyurethanes manufacturing facilities in the U.S. and Europe. We also operate 14 Polyurethanes formulation facilities, which are located in close proximity to our customers worldwide. We have a significant interest in a manufacturing joint venture that has recently begun construction of a low-cost, world-scale, integrated MDI production facility near Shanghai, China. We expect production at this facility to commence in 2006.

Advanced Materials

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

Performance Products

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

Pigments

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

Polymers

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

Base Chemicals

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

Current Industry Conditions

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

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

In our Performance Products segment, demand for our performance specialties has generally continued to grow at rates in excess of GDP as overall demand is significantly influenced by new product and application development. In 2004, overall demand for most of our performance intermediates has generally been stable or improving, but excess surfactant manufacturing capacity in Europe and a decline in the use of LAB in new detergent formulations has limited our ability to increase prices in response to higher raw material costs. In EG, higher industry capacity utilization rates in 2004 due to stronger demand in the PET resin and Asian fiber markets have resulted in higher profitability.

Our Pigments segment experienced difficult business conditions throughout 2003 and much of 2004, reflecting soft economic conditions, but industry fundamentals have recently strengthened. This has resulted in higher capacity utilization rates and improved product pricing. The cost of titanium-bearing ores, which is the primary raw material used to produce titanium dioxide, has been relatively stable. IBMA currently expects that titanium dioxide industry operating rates will continue to increase as a result of increased demand from improving economic conditions and a lack of significant new planned capacity additions.

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

Competitive Strengths

Leading Market Positions in Our Differentiated Product Segments

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

Large Scale, Integrated Manufacturer with Low Cost Operations

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

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

Diverse Customer Base Across Broad Geographic Regions

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

Experienced Management

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

Business Strategy

Expand Our Differentiated Segments

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

Maximize Cash Generated By Our Commodity Segments

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

Continue Focus on Improving Operational Efficiencies

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

Further Reduce Our Indebtedness

We intend to use substantially all of our net proceeds from this offering to reduce our outstanding indebtedness. This will result in a significant reduction in our annual interest expense. If the profitability of our businesses continues to improve, we intend to further reduce the level of our indebtedness.

Our History

Jon M. Huntsman founded the predecessor to our company in the early 1970s as a small packaging company. Since then, we have grown through a series of significant acquisitions and now own a global portfolio of commodity and differentiated businesses. In 1993, we purchased the LAB and maleic anhydride businesses of The Monsanto Company. In 1994, we purchased the global chemical business from what was formerly Texaco Inc. In 1997, we purchased our PO business from Texaco. Also in 1997, we acquired Rexene Corporation, significantly increasing the size of our Polymers business. In 1999, we acquired certain polyurethanes, pigments and European petrochemicals businesses from Imperial Chemical Industries PLC ("ICI"). In 2000, we completed the acquisition of the Morton global TPU business from The Rohm and Haas Company. In 2001, we completed our acquisition of the global ethyleneamines business of Dow Chemical Company, and we completed our acquisition of the

Albright & Wilson European surfactants business from Rhodia S.A. In 2003, we completed our acquisition of 88% of our Advanced Materials business through the purchase of Vantico Group S.A., and we now own approximately 90% of Advanced Materials.

We have also divested certain non-core businesses, including our packaging subsidiary in 1997 and our global styrenics business in 1998.

The Reorganization Transaction

We will consummate the Reorganization Transaction in connection with the completion of this offering. In the Reorganization Transaction, Huntsman Holdings, LLC will merge into us, and the existing holders of the common and preferred membership interests of Huntsman Holdings, LLC, including the mandatorily redeemable preferred interests, will receive, directly or indirectly, shares of our common stock in exchange for their interests. In addition, the holders of warrants in our subsidiary HMP Equity Holdings Corporation ("HMP") will exchange all of their warrants for shares of our common stock. Immediately prior to the merger, Huntsman Family Holdings Company LLC ("Huntsman Family Holdings"), which is owned by Jon M. Huntsman and certain members of his family, and MatlinPatterson Global Opportunities Partners L.P., MatlinPatterson Global Opportunities B, L.P. and MatlinPatterson Global Oportunities (Bermuda), L.P. (collectively, "MatlinPatterson") will contribute all of their membership interests in Huntsman Holdings, LLC to HMP Investments LLC, a new entity formed to hold such interests ("Investments LLC"). Investments LLC will receive shares of our common stock in exchange for these interests. Huntsman Family Holdings will control Investments LLC, including the voting of the shares of our common stock held by Investments LLC. However, Investments LLC will not be able to vote its shares of our common stock in favor of certain corporate actions without the consent of MatlinPatterson. MatlinPatterson will have control over the disposition of the shares of our common stock held by Investments LLC that are allocated to MatlinPatterson's membership interests in Investments LLC. In addition, Huntsman Family Holdings has agreed to cause all of the shares of our common stock held by Investments LLC to be voted in favor of the election to our board of directors of two nominees designated by MatlinPatterson. Immediately following the Reorganization Transaction and this offering, Investments LLC will hold a majority of our outstanding common stock.

The following chart reflects our organizational structure immediately after the completion of this offering.

(1) Includes the holders of warrants in HMP.

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

The Offering

Issuer	Huntsman Corporation
Common stock offered by us	shares
Common stock offered by the selling stockholder	shares
Common stock to be outstanding after this offering	shares
Use of Proceeds	We estimate that the net proceeds to us from the offering will be approximately $1,250 million. We intend to use these net proceeds for the repayment of outstanding indebtedness and for general corporate purposes.
	We will not receive any of the proceeds from the sale of shares by the selling stockholder. See "Use of Proceeds."
Proposed New York Stock Exchange Symbol	HUN
Risk Factors	This offering involves risks. See "Risk Factors" on page 15.

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

- assumes no exercise of the over-allotment option granted to the underwriters; and

- excludes shares of common stock issuable upon the exercise of options to be issued under the Huntsman Stock Incentive Plan upon completion of this offering.

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

SUMMARY HISTORICAL AND PRO FORMA AS ADJUSTED FINANCIAL DATA

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

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

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

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

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

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

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

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

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

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

	Year Ended December 31,				Nine Months Ended September 30,			
				Pro Forma As Adjusted			Pro Forma As Adjusted	
	2001	2002	2003	2003(a)	2003	2004	2003(a)	2004(a)
	(in millions)							
Statement of Operations Data:								
Revenues	$ 2,757.4	$ 2,661.0	$ 7,080.9	$ 9,252.4	$ 4,711.1	$ 8,357.7	$ 6,885.2	$ 8,357.7
Cost of goods sold	2,666.6	2,421.0	6,373.1	8,255.1	4,258.7	7,358.0	6,150.1	7,358.0
Gross profit	90.8	240.0	707.8	997.3	452.4	999.7	735.1	999.7
Operating expenses	211.7	174.7	493.4	732.2	333.3	580.9	567.2	580.9
Restructuring, impairment and plant closing costs (credit)	588.5	(1.0)	37.9	55.0	27.2	202.4	44.3	202.4
Operating (loss) income	(709.4)	66.3	176.5	210.1	91.9	216.4	123.6	216.4
Interest expense net	(239.3)	(181.9)	(409.1)	(413.6)	(260.7)	(459.5)	(310.0)	(315.3)
Loss on sale of accounts receivable	(5.9)		(20.4)	(32.4)	(11.9)	(10.2)	(24.0)	(10.2)
Other income (expense)	0.6	(7.6)		(2.2)	0.4	(0.8)	(1.8)	(0.8)
Equity in (loss) income of unconsolidated affiliates	(86.8)	(31.4)	(37.5)	1.5	(38.2)	3.0	0.8	3.0
Income tax benefit (expense)	184.9	(8.5)	(30.8)	(32.1)	3.8	25.7	2.4	25.7
Minority interest in subsidiaries' loss (income)	13.1	(28.8)	1.5	6.8	0.5	(1.1)	5.8	(1.1)
Loss from continuing operations	(842.8)	(191.9)	(319.8)	(261.9)	(214.2)	(226.5)	(203.2)	(82.3)
Cumulative effect of accounting changes(b)	0.1	169.7						
Net loss	$ (842.7)	$ (22.2)	$ (319.8)	$ (261.9)	$ (214.2)	$ (226.5)	$ (203.2)	$ (82.3)
Other Data:								
EBITDA(c)	$ (590.8)	$ 320.9	$ 473.5	$ 663.5	$ 273.2	$ 617.6	$ 463.3	$ 617.6
Total unusual items of (expense) income included in EBITDA(d)	(602.0)	145.4	(63.3)	(126.2)	(42.1)	(220.6)	(107.1)	(220.6)
Depreciation and amortization	197.5	152.7	353.4	479.7	230.5	410.3	358.9	410.3
Capital expenditures	76.4	70.2	191.0	228.9	129.9	145.0	167.8	145.0
Balance Sheet Data (at period end):								
Total assets						$ 8,993.8		$ 8,943.1
Total debt						6,200.7		5,128.1
Total liabilities						8,724.4		7,643.3
Stockholders' (deficit) equity						(441.4)		1,270.6

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

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

(c) EBITDA is defined as net income (loss) before interest, income taxes, depreciation and amortization. We believe that EBITDA information enhances an investor's understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our indebtedness. In addition, we refer to EBITDA because certain covenants in our borrowing arrangements are tied to similar measures. However, EBITDA should not be considered in isolation or viewed as a substitute for net income, cash flow from operations or other measures of performance as defined by generally accepted accounting principles in the U.S. ("GAAP"). We understand that while EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, EBITDA as used herein is not necessarily comparable to other similarly titled measures of other companies due to potential inconsistencies in the method of calculation. Our management uses EBITDA to assess financial performance and debt service capabilities. In assessing financial performance, our management reviews EBITDA as a general indicator of economic performance compared to prior periods. Because EBITDA excludes interest, income taxes, depreciation and amortization, EBITDA provides an indicator of general economic performance that is not affected by debt restructurings, fluctuations in interest rates or effective tax rates, or levels of depreciation and amortization. Our management believes this type of measurement is useful for comparing general operating performance from period to period and making certain related management decisions. Nevertheless, our management recognizes that there are material limitations associated with the use of EBITDA as compared to net income, which reflects overall financial performance, including the effects of interest, income taxes, depreciation and amortization.

We believe that net income (loss) is the financial measure calculated and presented in accordance with GAAP that is most directly comparable to EBITDA. The following table reconciles our net loss to EBITDA:

	Year Ended December 31,				Nine Months Ended September 30,			
				Pro Forma As Adjusted			**Pro Forma As Adjusted**	
	2001	**2002**	**2003**	**2003**	**2003**	**2004**	**2003**	**2004**
	(in millions)							
Net loss	$ (842.7)	$ (22.2)	$ (319.8)	$ (261.9)	$ (214.2)	$ (226.5)	$ (203.2)	$ (82.3)
Depreciation and amortization	197.5	152.7	353.4	479.7	230.5	410.3	358.9	410.3
Interest expense, net	239.3	181.9	409.1	413.6	260.7	459.5	310.0	315.3
Income tax (benefit) expense	(184.9)	8.5	30.8	32.1	(3.8)	(25.7)	(2.4)	(25.7)
EBITDA	$ (590.8)	$ 320.9	$ 473.5	$ 663.5	$ 273.2	$ 617.6	$ 463.3	$ 617.6

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

	Year Ended December 31,				Nine Months Ended September 30,			
				Pro Forma As Adjusted			**Pro Forma As Adjusted**	
	2001	**2002**	**2003**	**2003**	**2003**	**2004**	**2003**	**2004**
	(in millions)							
Early extinguishment of debt(1)	$ (1.1)	$ (6.7)	$	$	$	$ (1.9)	$	$ (1.9)
Legal and contract settlement expense, net(2)			(2.0)	(5.5)		(6.1)	(5.5)	(6.1)
Loss on sale of accounts receivable(3)	(5.9)		(20.4)	(32.4)	(11.9)	(10.2)	(24.0)	(10.2)
Asset write down(4)			(3.0)	(5.8)	(3.0)		(5.8)	
Restructuring, impairment and plant closing costs(5)	(588.5)	1.0	(37.9)	(55.0)	(27.2)	(202.4)	(44.3)	(202.4)
Reorganization costs(6)	(6.6)	(18.6)		(27.5)			(27.5)	
Cumulative effect of accounting changes	0.1	169.7						
Total unusual items of (expense) income included in EBITDA	$ (602.0)	$ 145.4	$ (63.3)	$ (126.2)	$ (42.1)	$ (220.6)	$ (107.1)	$ (220.6)

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

(2)

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

(3)

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

(4)

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

(5)

Represents cash and non-cash charges for business exit costs, employee termination costs and asset impairments related to various restructuring plans. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Restructuring and Plant Closing Costs," Note 11 to the Unaudited Consolidated Financial Statements and Note 10 to the Consolidated Financial Statements included elsewhere in this prospectus.

(6)

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

RISK FACTORS

You should carefully consider the risks described below in addition to all other information provided to you in this prospectus before making an investment decision. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially and adversely affect our business, results of operations and financial condition.

Risks Related to Our Business

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

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

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

Following this offering, we will have a substantial amount of indebtedness outstanding at our subsidiaries. As of September 30, 2004, on a pro forma as adjusted basis, we had total consolidated outstanding indebtedness of approximately $5,128.1 million (including the current portion of long-term debt). We may incur substantial additional debt from time to time for a variety of purposes. Our outstanding debt could have important consequences for our businesses, including:

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

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

If we are unable to generate sufficient cash flow or are otherwise unable to obtain the funds required to meet payments of principal and interest on our indebtedness, or if we otherwise fail to comply with the various covenants in the instruments governing our indebtedness, we could be in default under the terms of those instruments. In the event of a default, a holder of the indebtedness could elect to declare all the funds borrowed under those instruments to be due and payable together with accrued and unpaid interest, the lenders under our credit facilities could elect to terminate their commitments thereunder and we or one or more of our subsidiaries could be forced into bankruptcy or liquidation. Any of the foregoing consequences could have a material adverse effect on our business, results of operations and financial condition.

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

We are a holding company with no business operations, sources of income, indebtedness or assets of our own other than our ownership interests in our subsidiaries. Because all our operations are conducted by our subsidiaries, our cash flow and our ability to repay our debt that we may incur after this offering and our ability to pay dividends to our stockholders are dependent upon cash dividends and distributions or other transfers from our subsidiaries. Payment of dividends, distributions, loans or advances by our subsidiaries to us are subject to restrictions imposed by the current and future debt instruments of our subsidiaries. Moreover, our principal operating subsidiaries, HIH, HLLC and Advanced Materials, are financed separately from each other, and the debt instruments of each such subsidiary limit our ability to allocate cash flow or resources from one subsidiary, and its related group of subsidiaries, to another subsidiary group. Further, payments of dividends and other distributions by Advanced Materials may be subject to the consent of the holders of minority interests in Advanced Materials. In addition, those payments could be subject to restrictions on dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which our subsidiaries operate. As of September 30, 2004, on a pro forma as adjusted basis, our subsidiaries had total outstanding indebtedness of approximately $5,128.1 million (including the current portion of long-term debt).

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

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

Historically, the markets for many of our products, particularly our commodity products, have experienced alternating periods of tight supply, causing prices and profit margins to increase, followed by periods of capacity additions, resulting in oversupply and declining prices and profit margins. Currently, several of our markets continue to experience conditions of oversupply, and the pricing of our products in these markets is depressed. We cannot guarantee that future growth in demand for these products will be sufficient to alleviate any existing or future conditions of excess industry capacity or that such conditions will not be sustained or further aggravated by anticipated or unanticipated capacity additions or other events.

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

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

The prices of the raw materials that we purchase from third parties are cyclical and volatile. We purchase a substantial portion of these raw materials from third party suppliers, and the cost of these raw materials represents a substantial portion of our operating expenses. The prices for a number of these raw materials generally follow price trends of, and vary with market conditions for, crude oil and natural gas feedstocks, which are highly volatile and cyclical. In recent periods, we have experienced significantly higher crude oil prices, which have resulted in increased raw material prices.

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

The industries in which we compete are highly competitive, and we may not be able to compete effectively with our competitors that have greater financial resources, which could have a material adverse effect on our business, results of operations and financial condition.

The industries in which we operate are highly competitive. Among our competitors are some of the world's largest chemical companies and major integrated petroleum companies that have their own raw material resources. Some of these companies may be able to produce products more economically than we can. In addition, some of our competitors have greater financial resources, which may enable them to invest significant capital into their businesses, including expenditures for research and development. If any of our current or future competitors develops proprietary technology that enables them to produce products at a significantly lower cost, our technology could be rendered uneconomical or obsolete. Moreover, certain of our businesses use technology that is widely available. Accordingly, barriers to entry, apart from capital availability, are low in certain product segments of our business, and the entrance of new competitors into the industry may reduce our ability to capture improving profit margins in circumstances where capacity utilization in the industry is increasing. Further, petroleum-rich countries have become more significant participants in the petrochemical industry and may expand this role significantly in the future. Increased competition in any of our businesses could compel us to reduce the prices of our products, which could result in reduced profit margins and loss of market share and have a material adverse effect on our business, results of operations and financial condition.

Our operations involve risks that may increase our operating costs, which could have a material adverse effect on our business, results of operations and financial condition.

Although we take precautions to enhance the safety of our operations and minimize the risk of disruptions, our operations are subject to hazards inherent in the manufacturing and marketing of differentiated and commodity chemical products. These hazards include: pipeline leaks and ruptures; explosions; fires; severe weather and natural disasters; mechanical failures; unscheduled downtimes;

labor difficulties; transportation interruptions; remediation complications; chemical spills; discharges or releases of toxic or hazardous substances or gases; storage tank leaks; and other risks. Some of these hazards can cause bodily injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties and liabilities. Furthermore, we are subject to present and future claims with respect to workplace exposure, exposure of contractors on our premises as well as other persons located nearby, workers' compensation and other matters.

We maintain property, business interruption and casualty insurance policies which we believe are in accordance with customary industry practices, but we are not fully insured against all potential hazards and risks incident to our business. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business, results of operations and financial condition.

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

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

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

The principal material weakness identified by our auditors was that our controllership function did not have an adequate formal process in place to gather the data required to prepare the financial statements and disclosures required for the numerous financial reporting requirements of our subsidiaries. Specifically, the auditors noted that there was not a detailed review of the data supporting the disclosures in our financial statements by a senior member of our controllership function, that supporting documentation for certain disclosures was very limited, that the processes used to aggregate the information varied by subsidiary, without a standard, comprehensive package of supporting disclosure, and that information delivered to senior management and our audit committee was not timely and was often incomplete.

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

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

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

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

We are subject to many environmental and safety regulations that may result in unanticipated costs or liabilities, which could have a material adverse effect on our business, results of operations and financial condition.

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

In addition, we could incur significant expenditures in order to comply with existing or future environmental or safety laws. Capital expenditures and costs relating to environmental or safety matters will be subject to evolving regulatory requirements and will depend on the timing of the promulgation and enforcement of specific standards which impose requirements on our operations. Therefore, we cannot assure you that capital expenditures and costs beyond those currently anticipated will not be required under existing or future environmental or safety laws.

Furthermore, we may be liable for the costs of investigating and cleaning up environmental contamination on or from our properties or at off-site locations where we disposed of or arranged for the disposal or treatment of hazardous materials or from disposal activities that pre-dated the purchase of our businesses. We cannot assure you that additional costs and expenditures beyond those currently anticipated will not be incurred to address all such known and unknown situations under existing and future environmental law. See "Business Environmental, Health and Safety Matters."

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

We produce MTBE, an oxygenate that is blended with gasoline to reduce vehicle air emissions and to enhance the octane rating of gasoline. The use of MTBE is controversial in the U.S. and elsewhere and may be substantially curtailed or eliminated in the future by legislation or regulatory action. For example, California, New York and Connecticut have adopted rules that prohibit the use of MTBE in gasoline sold in those states as of January 1, 2004. Overall, states that have taken some action to prohibit or restrict the use of MTBE in gasoline account for a substantial portion of the "pre-ban" U.S. MTBE market. Additional phase-outs or other future regulation of MTBE may result in a significant reduction in demand for our MTBE, a material loss in revenues or material increase in compliance costs or expenditures. In addition, a number of lawsuits have been filed, primarily against gasoline manufacturers, marketers and distributors, by persons seeking to recover damages allegedly arising from the presence of MTBE in groundwater. While we have not been named as a defendant in any litigation concerning the environmental effects of MTBE, we cannot provide assurances that we will not be involved in any such litigation or that such litigation will not have a material adverse effect on our business, results of operations and financial condition. See "Business Environmental, Health and Safety Matters."

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

Some of our subsidiaries conduct a significant portion of their business outside the U.S. These operations outside the U.S. are subject to risks normally associated with international operations. These risks include the need to convert currencies which may be received for our products into currencies in which our subsidiaries purchase raw materials or pay for services, which could result in a gain or loss depending on fluctuations in exchange rates. In addition, we translate our local currency financial results into U.S. dollars based on average exchange rates prevailing during the reporting period or the exchange rate at the end of that period. During times of a strengthening U.S. dollar, our reported international sales and earnings may be reduced because the local currency may translate into fewer U.S. dollars.

Other risks of international operations include trade barriers, tariffs, exchange controls, national and regional labor strikes, social and political risks, general economic risks and required compliance with a variety of foreign laws, including tax laws and the difficulty of enforcing agreements and collecting receivables through foreign legal systems. The occurrence of these risks could adversely affect the businesses of our international subsidiaries, which could significantly affect their ability to make distributions to us.

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

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

We also rely upon unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain our competitive position. While it is our policy to enter into confidentiality agreements with our employees and third parties to protect our intellectual property, these confidentiality agreements may be breached, may not provide meaningful protection for our trade secrets or proprietary know-how, or adequate remedies may not be available in the event of an unauthorized use or disclosure of such trade secrets and know-how. In addition, others could obtain knowledge of such trade secrets through independent development or other access by legal means. The failure of our patents or confidentiality agreements to protect our processes, apparatuses, technology, trade secrets or proprietary know-how could have a material adverse effect on our business, results of operations and financial condition.

Loss of key members of our management could adversely affect our business.

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

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

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

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

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

- problems with effective integration of operations;
- the inability to maintain key pre-acquisition business relationships;
- increased operating costs;
- exposure to unanticipated liabilities; and
- difficulties in realizing projected efficiencies, synergies and cost savings.

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

Risks Related to the Offering

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

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

- our operating and financial performance and prospects;

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

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

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

sales of our common stock by stockholders;

actions by institutional investors or by our principal stockholders;

fluctuations in oil and natural gas prices;

changes in the availability or prices of our raw materials;

general market conditions, including fluctuations in commodity prices; and

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

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

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

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

After the offering, we will have outstanding shares of common stock, and we will have reserved shares of common stock for issuance under the Huntsman Stock Incentive Plan. Subject to the lock-up agreements described in "Underwriting," all the shares of common stock sold in the offering will be freely tradable without restriction or further registration under the federal securities laws unless purchased by one of our "affiliates," as that term is defined in Rule 144 under the Securities Act. The remaining shares of outstanding common stock, including shares held by Investments LLC and its affiliates, will be "restricted securities" under the Securities Act and will be subject to restrictions on the timing, manner and volume of sales.

Our executive officers and directors, Investments LLC, our other stockholders and the underwriters have entered into the lock-up agreements described in "Underwriting." Upon the expiration of these lock-up agreements, the shares outstanding and owned by such persons may be sold in the future without registration under the Securities Act to the extent permitted by Rule 144 or any applicable exemption under the Securities Act. Under registration rights agreements between Investments LLC, certain other stockholders and our company, Investments LLC and such stockholders, who will collectively hold approximately shares of our common stock after this offering, will have the right to require us to register their shares of our common stock following the lock-up period. The possibility that Investments LLC, such stockholders or any of their or our affiliates may dispose of shares of our common stock, or the announcement or completion of any such transaction, could have an adverse effect on the market price of our common stock. See "Certain Relationships and Related Transactions" and "Shares Eligible for Future Sale."

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

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

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

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

- elect a majority of the members of the board of directors of our company;
- subject to applicable law, determine, without the consent of our other stockholders, the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including amendments to our certificate of incorporation or bylaws, mergers, consolidations and the sale of all or substantially all of our assets; and
- subject to applicable law, prevent or cause a change in control of our company.

The interests and objectives of our controlling stockholders may be different from those of our company or our other stockholders, and our controlling stockholders may vote their common stock in a manner that may adversely affect our other stockholders. In addition, four of our directors, Mr. Jon M. Huntsman, Mr. Peter R. Huntsman, Mr. David J. Matlin and Mr. Christopher Pechock, are also current managers or officers of Investments LLC. This may create conflicts of interest because these directors have responsibilities to Investments LLC and its owners. Their duties as directors or officers of Investments LLC may conflict with their duties as directors of our company regarding business dealings between Investments LLC and us and other matters. The resolution of these conflicts may not always be in our or our stockholders' best interest.

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

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

OUR COMPANY

Jon M. Huntsman founded the predecessor to our company in the early 1970s as a small packaging company. Since then, we have grown through a series of significant acquisitions and now own a global portfolio of commodity and differentiated businesses. In 1993, we purchased the LAB and maleic anhydride businesses of Monsanto. In 1994, we purchased the global chemical business from what was formerly Texaco. In 1997, we purchased our PO business from Texaco. Also in 1997, we acquired Rexene Corporation, significantly increasing the size of our polymers business. In 1999, we acquired certain polyurethanes, pigments and European petrochemicals businesses from ICI. In 2000, we completed the acquisition of the Morton global TPU business from Rohm and Haas. In 2001, we completed our acquisition of the global ethyleneamines business of Dow, and we completed our acquisition of the Albright & Wilson European surfactants business from Rhodia. In 2003, we completed our acquisition of 88% of our Advanced Materials business, and we now own approximately 90% of Advanced Materials. We have also divested certain non-core businesses, including our packaging subsidiary in 1997 and our global styrenics business in 1998. On September 30, 2002, we completed a series of restructuring transactions that included a debt for equity exchange (the "HLLC Restructuring"), which resulted in the Huntsman family, MatlinPatterson and Consolidated Press Holdings Limited acquiring substantially all of our equity interests. See "Certain Relationships and Related Transactions The HLLC Restructuring."

We will complete the Reorganization Transaction in connection with the completion of this offering. In the Reorganization Transaction, Huntsman Holdings, LLC will merge into us, and the existing holders of the common and preferred membership interests of Huntsman Holdings, LLC, including the mandatorily redeemable preferred interests, will receive, directly or indirectly, shares of our common stock in exchange for their interests. In addition, each of the holders of warrants to purchase approximately 12% of the common stock of HMP (the "HMP Warrants") will exchange all of their HMP Warrants for shares of our common stock. Immediately prior to the merger, Huntsman Family Holdings and MatlinPatterson will contribute all of their membership interests in Huntsman Holdings, LLC to Investments LLC, which will receive shares of our common stock in exchange for these interests.

Immediately following the Reorganization Transaction and this offering, Investments LLC will hold approximately % of our outstanding common stock. The economic interest in the shares of our common stock held by Investments LLC will be allocated as follows: $400 million of such shares plus 50% of the remainder of such shares will be allocated to the membership interests owned by MatlinPatterson, 45% of the remainder of such shares will be allocated to the membership interests owned by Huntsman Family Holdings and 5% of the remainder of such shares will be unallocated. The unallocated shares will be allocated between the membership interests of Huntsman Family Holdings and MatlinPatterson approximately 18 months after the completion of this offering based on the trading price of our common stock. The Investments LLC limited liability company agreement will grant control of Investments LLC (including the voting of the shares of our common stock held by Investments LLC) to Huntsman Family Holdings. However, Investments LLC will not be able to vote its shares of our common stock in favor of certain corporate actions without the consent of MatlinPatterson. MatlinPatterson will have control over the disposition of the shares of our common stock held by Investments LLC that are allocated to MatlinPatterson's membership interests in Investments LLC. In addition, Huntsman Family Holdings has agreed to cause all of the shares of our common stock held by Investments LLC to be voted in favor of the election to our board of directors of two nominees designated by MatlinPatterson.

USE OF PROCEEDS

We estimate that the proceeds to us from this offering, after deduction of fees and expenses, based upon an assumed initial offering price equal to $, will be approximately $1,250 million. We intend to use these net proceeds, together with cash on hand, as follows:

- approximately $577.6 million[(a)] to redeem in full HMP's 15% Senior Secured Discount Notes due 2008 (the "HMP Discount Notes");
- approximately $527.8 million[(b)] to redeem in full HIH's 13.375% Senior Discount Notes due 2009 (the "HIH Senior Discount Notes");
- approximately $177.9 million[(c)] to repay $159.4 million in aggregate principal amount of HLLC's 11$^{5}/_{8}$% Senior Secured Notes due 2010 (the "HLLC Senior Secured Notes"); and
- approximately $40.9 million[(d)] to repay in full HLLC's subordinated note to Horizon Ventures LLC, which bears interest at a rate of 15% per year and matures in 2011 (the "HLLC Affiliate Note").

(a) Assumes a redemption date of December 31, 2004 and includes the payment of redemption premiums of $40.3 million. As of September 30, 2004, the carrying amount of the HMP Discount Notes was $389.5 million, which was a discount to the accreted value of $518.2 million, and the assumed redemption premium would have been $38.8 million.

(b) Assumes a redemption date of December 31, 2004 and includes the payment of redemption premiums of $33.1 million. As of September 30, 2004, the carrying amount of the HIH Senior Discount Notes was $489.2 million and the assumed redemption premium would have been $32.0 million.

(c) Assumes a repayment date of December 31, 2004 and includes the payment of redemption premiums.

(d) Assumes a repayment date of December 31, 2004 and includes the payment of accrued interest. As of September 30, 2004, the carrying amount of the HLLC Affiliate Note was $39.5 million.

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

We will use the net proceeds that we receive from any exercise of the underwriters' over-allotment option to further reduce our outstanding indebtedness.

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

We will not receive any of the proceeds from the sale of shares by the selling stockholder.

DIVIDEND POLICY

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

CAPITALIZATION

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

- on an actual basis; and

- on a pro forma as adjusted basis giving effect to the HLLC Bank Refinancing (as defined in "Unaudited Pro Forma Financial Data"), the Reorganization Transaction and this offering and the use of the net proceeds as described in "Use of Proceeds."

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

	As of September 30, 2004	
	Actual	Pro Forma As Adjusted
	(in millions)	
Cash	$ 239.1	$ 197.0(a)
Debt:		
Secured credit facilities	$ 2,228.2	$ 2,233.2
Secured notes	799.5	640.1
Notes	2,075.2	2,075.2
Secured discount notes	389.5	
Discount notes	489.2	
Note due to affiliate	39.5	
Other debt	179.6	179.6
Total debt	6,200.7	5,128.1
Stockholders' (deficit) equity:		
Common stock (shares of common stock, par value $0.01 per share, authorized, shares outstanding pro forma as adjusted)		
Preferred member's interest	195.7	
Common member's interest		
Additional paid-in capital	734.4	2,863.7
Accumulated deficit	(1,470.0)	(1,691.6)(b)
Accumulated other comprehensive income	98.5	98.5
Total stockholders' (deficit) equity	(441.4)	1,270.6
Total capitalization	$ 5,759.3	$ 6,398.7

(a) Reflects the use of net proceeds from this offering of $1,252.0 million and the use of cash for the following items: $557.0 million to redeem in full the HMP Discount Notes, $511.2 million to redeem in full the HIH Senior Discount Notes, $186.4 million to repay $159.4 million in aggregate principal amount of the HLLC Senior Secured Notes plus accrued interest and $39.5 million to repay in full the HLLC Affiliate Note. The foregoing is based on accreted values and accrued interest as of September 30, 2004. See "Use of Proceeds" for balances as of December 31, 2004.

(b) Includes a loss on early retirement of debt of $208.0 million, reflecting the difference between the carrying value of the debt and the redemption price and call premiums, and $13.6 million for the write off of related deferred debt issuance costs.

DILUTION

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

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

Assumed initial public offering price per share		$
Pro forma net tangible book value per share at September 30, 2004	$	
Increase per share attributable to new investors		
Pro forma, as adjusted net tangible book value per share after offering		
Dilution per share to new investors		$

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

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing shareholders		%	$	%	$
New investors					
Total		100%		100%	

The foregoing computations exclude shares issuable upon the exercise of stock options to be issued in connection with this offering and shares available for future issuance under the Huntsman Stock Incentive Plan. To the extent the option holders exercise these outstanding options or warrants, or any options or warrants we grant in the future, there will be further dilution to new investors.

SELECTED HISTORICAL FINANCIAL DATA

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

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

	Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
	(in millions, except per share amounts)						
Statement of Operations Data:							
Revenues	$ 2,838.8	$ 3,325.7	$ 2,757.4	$ 2,661.0	$ 7,080.9	$ 4,711.1	$ 8,357.7
Gross profit	320.3	128.7	90.8	240.0	707.8	452.4	999.7
Restructuring, impairment and plant closing costs (credit)			588.5	(1.0)	37.9	27.2	202.4
Operating income (loss)	74.8	(78.7)	(709.4)	66.3	176.5	91.9	216.4
Loss before cumulative effect of accounting changes	(75.6)	(138.6)	(842.8)	(191.9)	(319.8)	(214.2)	(226.5)
Cumulative effect of accounting changes(a)			0.1	169.7			
Net loss	(75.6)	(138.6)	(842.7)	(22.2)	(319.8)	(214.2)	(226.5)
Net loss per common share(b)							
Basic							
Diluted							
Average shares outstanding(b)							
Basic							
Diluted							
Other Data:							
Depreciation and amortization	$ 203.6	$ 200.3	$ 197.5	$ 152.7	$ 353.4	$ 230.5	$ 410.3
Capital expenditures	150.2	90.3	76.4	70.2	191.0	129.9	145.0
Balance Sheet Data (at period end):							
Total assets	$ 3,565.1	$ 3,543.8	$ 2,357.8	$ 2,747.2	$ 8,737.4	$ 8,444.1	$ 8,993.8
Total debt	2,136.2	2,268.6	2,450.5	1,736.1	5,910.1	5,968.4	6,200.7
Total liabilities	3,109.9	3,322.3	3,046.3	2,532.0	8,278.8	8,044.0	8,724.4

(a) In 2002, we adopted SFAS No. 141, *"Business Combinations,"* resulting in an increase of $169.7 million in the carrying value of our investment in HIH to reflect the proportionate share of the underlying net assets. In 2001, we adopted SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities,"* resulting in a cumulative increase in net loss of $0.1 million.

(b) Share and per share data have been retroactively restated to reflect the Reorganization Transaction.

UNAUDITED PRO FORMA FINANCIAL DATA

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

- our May 2003 acquisition of the HIH membership interests held by third parties in the HIH Consolidation Transaction;
- our June 2003 acquisition of an 88% equity interest in our Advanced Materials business and related financing transactions in the AdMat Transaction;
- the following debt refinancing transactions that took place in 2003 and 2004 (the "Refinancing Transactions"):
  - the issuance by our subsidiary Huntsman International LLC ("HI") in April 2003 of $150 million of its 9.875% senior unsecured notes (the "HI Senior Notes") and the application of the net proceeds therefrom;
  - the issuance by HLLC of $380 million and $75.4 million of HLLC Senior Secured Notes in September 2003 and December 2003, respectively, and the application of the net proceeds therefrom;
  - the issuance by HLLC of $400 million of senior notes in June 2004 (the "HLLC Senior Notes") and the application of the net proceeds therefrom;
  - the refinancing of the senior secured credit facilities of HI in July 2004 (the "HI Bank Refinancing"); and
  - the refinancing of the senior secured credit facilities of HLLC in October 2004 (the "HLLC Bank Refinancing"); and
- other adjustments to reflect the interest expense related to our indebtedness as of September 30, 2004.

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

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

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

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

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

		Pro Forma Adjustments					
	Actual	HIH Consolidation Transaction(a)	AdMat Transaction(b)	Other Pro Forma Adjustments	Pro Forma	Offering and Reorganization Transaction Adjustments	Pro Forma As Adjusted
				(in millions)			
Revenues	$ 4,711.1	$ 1,733.4	$ 531.8	$ (91.1)(c)	$ 6,885.2		$ 6,885.2
Cost of goods sold	4,258.7	1,551.9	412.7	(73.2)(d)	6,150.1		6,150.1
Gross profit	452.4	181.5	119.1	(17.9)	735.1		735.1
Expenses:							
Operating expenses	333.3	104.6	172.1	(42.8)(e)	567.2		567.2
Restructuring and plant closing costs	27.2	17.1			44.3		44.3
Total expenses	360.5	121.7	172.1	(42.8)(e)	611.5		611.5
Operating income	91.9	59.8	(53.0)	24.9	123.6		123.6
Interest expense, net	(260.7)	(113.2)	(36.3)	(40.3)(f)	(450.5)	$ 140.5(f)	(310.0)
Loss on accounts receivable securitization program	(11.9)	(12.0)		(0.1)	(24.0)		(24.0)
Equity in (loss) income of unconsolidated affiliates	(38.2)			39.0(g)	0.8		0.8
Other non-operating expenses	0.4	(2.2)			(1.8)		(1.8)
Loss before income taxes and minority interest	(218.5)	(67.6)	(89.3)	23.5	(351.9)	140.5	(211.4)
Income tax benefit (expense)	3.8	2.4	11.4	(15.2)(h)	2.4		2.4
Minority interest in subsidiaries' loss	0.5			5.3 (i)	5.8		5.8
Net (loss) income	$ (214.2)	$ (65.2)	$ (77.9)	$ 13.6	$ (343.7)	$ 140.5	$ (203.2)

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

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

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

(d) To reflect the net effect on cost of goods sold of eliminating intercompany transactions between HLLC and HIH and to eliminate net adjustments to depreciation and amortization expense as a result of the HIH Consolidation Transaction.

(e) To reflect the net effect on operating expenses of eliminating intercompany transactions and the effect of unrealized foreign currency exchange losses arising from the revaluation of non-functional currency denominated debt, substantially all of which was repaid in the AdMat Transaction.

(f)

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

(g)

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

(h)

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

(i)

To record the minority interest in Advanced Materials.

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

	Actual	Pro Forma Adjustments	Pro Forma	Offering and Reorganization Transaction Adjustments	Pro Forma As Adjusted
			(in millions)		
Revenues	$ 8,357.7		$ 8,357.7		$ 8,357.7
Cost of goods sold	7,358.0		7,358.0		7,358.0
Gross profit	999.7		999.7		999.7
Expenses:					
Operating expenses	580.9		580.9		580.9
Restructuring and plant closing costs	202.4		202.4		202.4
Total expenses	783.3		783.3		783.3
Operating income	216.4		216.4		216.4
Interest expense, net	(459.5)	$ 3.7(a)	(455.8)	$ 140.5(a)	(315.3)
Loss on accounts receivable securitization program	(10.2)		(10.2)		(10.2)
Equity in income of unconsolidated affiliates	3.0		3.0		3.0
Other non-operating expenses	(0.8)		(0.8)		(0.8)
Loss before income taxes and minority interest	(251.1)	3.7	(247.4)	140.5	(106.9)
Income tax expense	25.7	(b)	25.7		25.7
Minority interest in subsidiaries' income	(1.1)		(1.1)		(1.1)
Net (loss) income	$ (226.5)	$ 3.7	$ (222.8)	$ 140.5	$ (82.3)

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

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

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

	Actual	Pro Forma Adjustments: HIH Consolidation Transaction(a)	Pro Forma Adjustments: AdMat Transaction(b)	Pro Forma Adjustments: Other Pro Forma Adjustments	Pro Forma	Offering and Reorganization Transaction Adjustments	Pro Forma As Adjusted
	(in millions)						
Revenues	$ 7,080.9	$ 1,733.4	$ 531.8	$ (93.7)(c)	$ 9,252.4		$ 9,252.4
Cost of goods sold	6,373.1	1,551.9	412.7	(82.6)(d)	8,255.1		8,255.1
Gross profit	707.8	181.5	119.1	(11.1)	997.3		997.3
Expenses:							
Operating expenses	493.4	104.6	172.1	(37.9)(e)	732.2		732.2
Restructuring and plant closing costs	37.9	17.1			55.0		55.0
Total expenses	531.3	121.7	172.1	(37.9)(e)	787.2		787.2
Operating income	176.5	59.8	(53.0)	26.8	210.1		210.1
Interest expense, net	(428.3)	(113.2)	(36.3)	(23.2)(f)	(601.0)	$ 187.4(f)	(413.6)
Interest income affiliate	19.2			(19.2)(g)			
Loss on accounts receivable securitization program	(20.4)	(12.0)			(32.4)		(32.4)
Equity in (loss) income of unconsolidated affiliates	(37.5)			39.0(h)	1.5		1.5
Other non-operating expenses		(2.2)			(2.2)		(2.2)
Loss before income taxes and minority interest	(290.5)	(67.6)	(89.3)	23.4	(424.0)	187.4	(236.6)
Income tax expense	(30.8)	2.4	11.4	(15.1)(i)	(32.1)		(32.1)
Minority interest in subsidiaries' loss	1.5			5.3(j)	6.8		6.8
Net (loss) income	$ (319.8)	$ (65.2)	$ (77.9)	$ 13.6	$ (449.3)	$ 187.4	$ (261.9)

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

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

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

(d)

To reflect the net effect on cost of goods sold of eliminating intercompany transactions between HLLC and HIH and to reflect the net adjustments to depreciation and amortization expense as a result of the HIH Consolidation Transaction.

(e)

To reflect the net effect on operating expenses of eliminating intercompany transactions and the effect of unrealized foreign currency exchange losses arising from the revaluation of non-functional currency denominated debt, substantially all of which was repaid in the AdMat Transaction.

(f)

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

(g)

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

(h)

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

(i)

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

(j)

To record the minority interest in Advanced Materials.

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

	Actual	Pro Forma Adjustments	Pro Forma	Offering and Reorganization Transaction Adjustments	Pro Forma As Adjusted
			(in millions)		
Assets					
Cash and equivalents	$ 239.1	$	$ 239.1	$ (42.1)(d)	$ 197.0
Accounts and notes receivable	1,403.3		1,403.3		1,403.3
Inventories	1,132.6		1,132.6		1,132.6
Prepaid expense	70.6		70.6		70.6
Deferred income taxes	20.6		20.6		20.6
Other current assets	69.5		69.5		69.5
Current assets	2,935.7		2,935.7	(42.1)	2,893.6
Property, plant and equipment, net	5,014.8		5,014.8		5,014.8
Investment in unconsolidated affiliates	167.5		167.5		167.5
Intangible assets, net	264.8		264.8		264.8
Goodwill	3.3		3.3		3.3
Deferred income taxes	21.3		21.3		21.3
Other noncurrent assets	586.4	3.5(a)	589.9	(12.1)(e)	577.8
Total assets	$ 8,993.8	$ 3.5	$ 8,997.3	$ (54.2)	$ 8,943.1
Liabilities and stockholders' equity					
Accounts payable	$ 919.7	$	$ 919.7	$	$ 919.7
Accrued liabilities	689.8		689.8	(8.5)(f)	681.3
Deferred income taxes	18.9		18.9		18.9
Current portion of long-term debt	54.8		54.8		54.8
Current liabilities	1,683.2		1,683.2	(8.5)	1,674.7
Long-term debt	6,106.4	5.0(b)	6,111.4	(1,038.1)(g)	5,073.3
Long-term debt affiliates	39.5		39.5	(39.5)(g)	
Deferred income taxes	242.1		242.1		242.1
Other noncurrent liabilities	653.2		653.2		653.2
Total liabilities	8,724.4	5.0	8,729.4	(1,086.1)	7,643.3
Minority interest in common stock of consolidated subsidiaries	29.2		29.2		29.2
Minority interest in warrants of consolidated subsidiary	128.7		128.7	(128.7)(h)	
Manditorily redeemable preferred members' interest	552.9		552.9	(552.9)(i)	
Total minority interests	710.8		710.8	(681.6)	29.2
Stockholders' equity					
Preferred members' interest	195.7		195.7	(195.7)(j)	
Common members' interest					
Class A units, 10,000,000 issued and outstanding, no par value					

	Actual	Pro Forma Adjustments	Pro Forma	Offering and Reorganization Transaction Adjustments	Pro Forma As Adjusted
Class B units, 10,000,000 issued and outstanding, no par value					
Common stock					
Additional paid-in capital	734.4		734.4	2,129.3(k)	2,863.7
Accumulated deficit	(1,470.0)	(1.5)(c)	(1,471.5)	(220.1)(l)	(1,691.6)
Accumulated other comprehensive income	98.5		98.5		98.5
Total stockholders' (deficit) equity	(441.4)	(1.5)	(442.9)	1,713.5	1,270.6
Total liabilities and stockholders' equity	$ 8,993.8	$ 3.5	$ 8,997.3	$ (54.2)	$ 8,943.1

(a)
To reflect the increase in deferred debt issuance costs as a result of the HLLC Bank Refinancing, net of amounts written off.

(b) To reflect the net increase in debt from the HLLC Bank Refinancing.

(c) To reflect a loss on early retirement of debt for the write off of deferred debt issuance costs in connection with the HLLC Bank Refinancing.

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

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

(f) To reflect payment of accrued interest on the HLLC Senior Secured Notes.

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

(h) To reflect the exchange of warrants for common stock. The number of shares of common stock is subject to change and will be based on the fair value of the warrants.

(i) To reflect the exchange of mandatorily redeemable preferred members' interest for common stock.

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

(k) To reflect the issuance of common stock in this offering, net of related fees and expenses, and the issuance of common stock in the Reorganization Transaction.

(l) Includes a loss on early retirement of debt of $208.0 million, reflecting the difference between the carrying value of the debt and the redemption price and call premiums, and $13.6 million for the write off of deferred debt issuance costs. Due to the non-recurring nature of these adjustments, they have not been reflected in the pro forma statements of operations.

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

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

		Interest Expense		
			Nine Months Ended September 30,	
	Pro Forma Balance as of September 30, 2004(1)	Year Ended December 31, 2003	2003	2004
	(in millions)			
Average LIBOR for period		1.209%	1.235%	1.287%
Average dollar/euro exchange rate for period		1.1329	1.1128	1.2259
Pro forma interest expense adjustments:				
Secured credit facilities:				
HLLC Revolving Facility (LIBOR plus 2.25%, unused fee of 0.50%)	$ 97.4	$ 4.9	$ 3.7	$ 3.7
HI Revolving Facility (LIBOR plus 3.25%, unused fee of 0.75%)		2.8	2.1	2.1
AdMat Revolving Credit Facility (LIBOR plus 3.00%, unused fee of 1.00%)		0.6	0.5	0.5
HLLC Term Facility (LIBOR plus 3.50%)	715.0	33.7	25.4	25.7
HI Term Facility (LIBOR plus 3.25%)	1,366.6	60.9	46.0	46.5
HCA Facilities (90 Day Bank Bill Swap Rate plus 2.90%)	41.9	2.9	2.2	2.6
New HCCA Facility (90 Day Bank Bill Swap Rate plus 2.90%)	12.3	0.8	0.6	0.8
Secured notes:				
HLLC Senior Secured Notes (11.875% effective rate)	451.0	53.6	40.2	40.2
AdMat Fixed Rate Notes (11.00%)	250.0	27.5	20.6	20.6
AdMat Floating Rate Notes (LIBOR plus 8.00%, 8.50% effective rate)	98.5	9.6	7.2	7.3
Notes:				
HLLC Senior Fixed Rate Notes (11.50%)	300.0	34.5	25.9	25.9
HLLC Senior Floating Rate Notes (LIBOR plus 7.25%)	100.0	8.5	6.4	6.4
HI Senior Notes (9.478% effective rate)	456.3	43.2	32.4	32.4
HI Senior Subordinated Notes (10.125%)	600.0	60.7	45.6	45.6
HI Senior Subordinated Notes (€450, 9.882% effective rate)	559.6	50.4	37.1	40.9
HLLC Subordinated Fixed Rate Notes (9.50%)	44.2	4.2	3.1	3.1
HLLC Subordinated Floating Rate Notes (LIBOR plus 3.25%)	15.1	0.7	0.5	0.5
Secured discount notes:				
HMP Discount Notes (23.658% effective rate)(2)	389.5	92.1	69.1	69.1
Discount notes:				
HIH Senior Discount Notes (13.375%)(2)	479.2	64.1	48.1	48.1
Note due to affiliate:				
HLLC Affiliate Note (15.00%)(2)	39.5	5.9	4.4	4.4
Other debt:				
Huntsman Specialty Chemicals Corporation Subordinated Note (9.298% effective rate)	100.8	9.4	7.0	7.0
Other debt (4.98% effective rate)	78.8	3.9	2.9	2.9
Other items:				
Amortization of debt issuance costs		23.6	17.7	17.7
Interest rate hedging arrangements (notional amount of $184.3; pay 4.44% weighted average fixed rate, receive LIBOR)		2.5	1.8	1.8

		Interest Expense		
Total pro forma interest expense		$ 601.0	$ 450.5	$ 455.8
Less historical interest expense(3)		(577.8)	(410.2)	(459.5)
Net pro forma interest expense adjustment		$ 23.2	$ 40.3	$ (3.7)
Pro forma as adjusted interest expense adjustments:				
Adjustment of HLLC Term Facility (0.50% interest rate reduction as a result of this offering)	$ 715.0	$ (3.6)	$ (2.7)	$ (2.7)
Repayment of HMP Discount Notes (23.658% effective rate)	389.5	(92.1)	(69.1)	(69.1)
Repayment of HIH Senior Discount Notes (13.375%)	479.2	(64.1)	(48.1)	(48.1)
Repayment of HLLC Senior Secured Notes (11.875% effective rate)	159.4	(18.9)	(14.2)	(14.2)
Repayment of HLLC Affiliate Note (15.00%)	39.5	(5.9)	(4.4)	(4.4)
Adjustment to amortization of debt issuance costs		(2.8)	(2.0)	(2.0)
Net pro forma as adjusted interest expense adjustment		$ (187.4)	$ (140.5)	$ (140.5)
Total pro forma as adjusted interest expense		$ 413.6	$ 310.0	$ 315.3

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(1) Gives effect to the HLLC Bank Refinancing.

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

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

(3) As adjusted for the HIH Consolidated Transaction and the AdMat Transaction.

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

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

Overview

We are among the world's largest global manufacturers of differentiated and commodity chemical products. We manufacture a broad range of chemical products and formulations, which we market in more than 100 countries to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, durable and non-durable consumer products, electronics, medical, packaging, paints and coatings, power generation, refining and synthetic fiber industries. We are a leading global producer in many of our key product lines, including MDI, amines, surfactants, epoxy-based polymer formulations, maleic anhydride and titanium dioxide. | We operate 63 manufacturing facilities located in 22 countries and employ over 11,500 associates. Our businesses benefit from significant vertical integration, large production scale and proprietary manufacturing technologies, which allow us to maintain a low-cost position. We had pro forma revenues for the nine months ended September 30, 2004 and the year ended December 31, 2003 of $8.4 billion and $9.3 billion, respectively.

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

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

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

In our Performance Products segment, demand for our performance specialties has generally continued to grow at rates in excess of GDP as overall demand is significantly influenced by new product and application development. In 2004, overall demand for most of our performance intermediates has generally been stable or improving, but excess surfactant manufacturing capacity in Europe and a decline in the use of LAB in new detergent formulations have limited our ability to increase prices in response to higher raw material costs. In EG, higher industry capacity utilization rates in 2004 due to stronger demand in the PET resin and Asian fiber markets have resulted in higher profitability.

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

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

Pro Forma Results of Operations

The businesses of our predecessor Huntsman Holdings, LLC underwent significant changes as a result of a number of transactions that were completed in 2003. As a result, the financial information as of and for the year ended December 31, 2003 is not comparable to the prior years' historical financial data presented herein, and the financial information as of and for the nine months ended September 30, 2004 is not comparable to the financial information as of and for the nine months ended September 30, 2003. In order to present data that is useful for comparative purposes, we have included pro forma information for the years ended December 31, 2002 and 2003 and the nine month periods ended September 30, 2003 and 2004. The pro forma information for the year ended December 31, 2003 and the nine months ended September 30, 2003 has been prepared as if the HIH Consolidation Transaction, the AdMat Transaction and the Refinancing Transactions occurred on January 1, 2003. HIH became a consolidated subsidiary effective as of May 1, 2003, and Advanced Materials became a consolidated subsidiary effective as of June 30, 2003. The Refinancing Transactions occurred between April 2003 and October 2004. The pro forma information for the year ended December 31, 2002 has been prepared as if the HIH Consolidation Transaction, the AdMat Transaction, the Refinancing Transactions and the HLLC Restructuring occurred on January 1, 2002. See Note 1 to the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus for a discussion of the HLLC Restructuring. The pro forma information for the nine months ended September 30, 2004 has been prepared as if the Refinancing Transaction that occurred in 2004 occurred on January 1, 2004. We believe the use of pro forma results for the periods covered in this report provides a more meaningful comparison of our results between the applicable periods. These results do not necessarily reflect the results that would have been obtained if we had completed the transactions described above on the dates indicated or that may be expected in the future. See "Unaudited Pro

Forma Financial Data." For a period to period comparison of our historical results of operations, see "   Historical Results of Operations."

	Pro Forma			
	Year Ended December 31,		Nine Months Ended September 30,	
	2002	2003	2003	2004
	(in millions)			
Revenues	$ 8,012.2	$ 9,252.4	$ 6,885.2	$ 8,357.7
Cost of goods sold	6,929.7	8,255.1	6,150.1	7,358.0
Gross profit	1,082.5	997.3	735.1	999.7
Operating expense	824.5	732.2	567.2	580.9
Restructuring, impairment and plant closing costs	62.7	55.0	44.3	202.4
Operating income	195.3	210.1	123.6	216.4
Interest expense, net	(605.0)	(601.0)	(450.5)	(455.8)
Loss on accounts receivable securitization program	(5.5)	(32.4)	(24.0)	(10.2)
Equity in income of unconsolidated affiliates	1.6	1.5	0.8	3.0
Other non-operating expense	(7.2)	(2.2)	(1.8)	(0.8)
Loss before income taxes and minority interest	(420.8)	(424.0)	(351.9)	(247.4)
Income tax benefit (expense)	11.1	(32.1)	2.4	25.7
Minority interests in subsidiaries' loss (income)	15.8	6.8	5.8	(1.1)
Cumulative effect of accounting change	169.7			
Net loss	$ (224.2)	$ (449.3)	$ (343.7)	$ (222.8)
Interest expense, net	605.0	601.0	450.5	455.8
Income tax (benefit) expense	(11.1)	32.1	(2.4)	(25.7)
Depreciation and amortization	487.7	479.7	358.9	410.3
EBITDA(1)	$ 857.4	$ 663.5	$ 463.3	$ 617.6

(1) EBITDA is defined as net income (loss) before interest, income taxes, depreciation and amortization. We believe that EBITDA information enhances an investor's understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our indebtedness. In addition, we refer to EBITDA because certain covenants in our borrowing arrangements are tied to similar measures. However, EBITDA should not be considered in isolation or viewed as a substitute for net income, cash flow from operations or other measures of performance as defined by GAAP. We understand that while EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, EBITDA as used herein is not necessarily comparable to other similarly titled measures of other companies due to potential inconsistencies in the method of calculation. Our management uses EBITDA to assess financial performance and debt service capabilities. In assessing financial performance, our management reviews EBITDA as a general indicator of economic performance compared to prior periods. Because EBITDA excludes interest, income taxes, depreciation and amortization, EBITDA provides an indicator of general economic performance that is not affected by debt restructurings, fluctuations in interest rates or effective tax rates, or levels of depreciation and amortization. Our management believes this type of measurement is useful for comparing general operating performance from period to period and making certain related management decisions. Nevertheless, our management recognizes that there are material limitations associated with the use of EBITDA as compared to net income, which reflects overall financial performance, including the effects of interest, income taxes, depreciation and amortization.

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

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

	Pro Forma			
	Year Ended December 31,		Nine Months Ended September 30,	
	2002	2003	2003	2004
	(in millions)			
Early extinguishment of debt	$ (6.7)	$	$	$ (1.9)
Legal and contract settlement income (expense), net	9.0	(5.5)	(5.5)	(6.1)
Gain (loss) on accounts receivable securitization program	(5.5)	(32.4)	(24.0)	(10.2)
Asset write down		(5.8)	(5.8)	
Reorganization costs	(40.6)	(27.5)	(27.5)	
Cumulative effect of accounting change	169.7			
Restructuring, impairment and plant closing (expense) income:				
Polyurethanes	$	$ (28.1)	$ (22.2)	$ (32.8)
Advanced Materials	(56.0)			
Performance Products	(4.6)	(22.1)	(20.1)	(41.2)
Pigments	(3.1)	(6.5)	(1.1)	(111.7)
Polymers	5.7	(0.7)	(0.9)	(7.6)
Base Chemicals		2.4		(9.1)
Corporate and other	(4.7)			
Total	$ (62.7)	$ (55.0)	$ (44.3)	$ (202.4)

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

For the nine months ended September 30, 2004, we had a net loss of $222.8 million on revenues of $8,357.7 million compared to a net loss of $343.9 million on revenues of $6,885.2 million for the same period in 2003. The decrease of $121.1 million in net loss was the result of the following items:

Revenues for the nine months ended September 30, 2004 increased by $1,472.5 million, or 21%, from the same period in 2003 due to higher average selling prices in all of our operating segments and higher sales volumes in our Polyurethanes, Advanced Materials, Pigments, Polymers and Base Chemicals segments. Average selling prices increased primarily due to the effects of underlying raw material and energy prices and improved market conditions. Average selling prices also increased as a result of the strengthening of the major European currencies versus the U.S. dollar. Sales volumes increased due primarily to improved customer demand for our products.

Gross profit for the nine months ended September 30, 2004 increased by $264.6 million, or 36%, from the same period in 2003. This increase, which occurred in all our segments except Performance Products, was mainly the result of higher average selling prices which more than offset higher raw material and energy costs in the 2004 period as compared to the same period in 2003. Fixed manufacturing costs were higher due to the strength of the major European currencies versus the U.S. dollar.

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

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

Net interest expense for the nine months ended September 30, 2004 increased by $5.3 million, or 1%, from the same period in 2003. See "Unaudited Pro Forma Financial Data Schedule of Pro Forma and Pro Forma As Adjusted Interest Expense Adjustments."

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

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

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

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

NM Not meaningful

Polyurethanes

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

For the nine months ended September 30, 2004, Polyurethanes segment EBITDA increased by $113.6 million, or 72%, from the same period in 2003. Increased segment EBITDA resulted mainly from higher sales volumes and higher average selling prices, partly offset by increased raw material and energy costs and higher restructuring costs. For the nine months ended September 30, 2003 and 2004, restructuring charges of $22.2 million and $32.8 million, respectively, were included in segment EBITDA.

Advanced Materials

On a pro forma basis, Advanced Materials revenues for the nine months ended September 30, 2004 increased by $75.9 million, or 10%, from the same period in 2003. Higher revenues were attributable to a 10% increase in average selling prices, with stable sales volumes. Average selling prices

were higher due to price increase initiatives in certain markets in response to improved demand, higher raw material costs and the effect of the strength of the major European currencies versus the U.S. dollar.

For the nine months ended September 30, 2004, Advanced Materials segment EBITDA increased by $126.0 million to $121.3 million from a loss of $4.7 million for the same period of 2003. The increase in segment EBITDA was primarily due to higher average selling prices and lower reorganization and contract settlement costs, partially offset by higher raw material and manufacturing costs attributable to the strength of the major European currencies versus the U.S. dollar. In addition, the 2003 period includes foreign currency losses of $33.8 million related to the debt structure of Advanced Materials' predecessor.

Performance Products

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

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

Pigments

For the nine months ended September 30, 2004, Pigments segment revenues increased by $42.2 million, or 6%, from the same period in 2003, resulting principally from higher sales volumes, higher average selling prices in North America and Asia and the strengthening of major European currencies versus the U.S. dollar, offset somewhat by lower average selling prices in local European currencies.

Pigments segment EBITDA for the nine months ended September 30, 2004 decreased by $141.9 million to a loss of $53.6 million from $88.3 million for the same period in 2003. The decrease in segment EBITDA is mainly due to restructuring and plant closing costs of $111.7 million, charges of $14.9 million relating to the payment of costs and settlement amounts for claims relating to discoloration of nonplasticized polyvinyl chloride products allegedly caused by our titanium dioxide ("Discoloration Claims") recorded in the 2004 period, increased costs due to the strengthening of the major European currencies versus the U.S. dollar and lower average selling prices in local European currencies. Somewhat offsetting these decreases were increases to segment EBITDA from higher sales volumes and higher average selling prices in North America and Asia. During the nine months ended September 30, 2003 and 2004, our Pigments segment recorded restructuring charges of $1.1 million and $111.7 million, respectively.

Polymers

For the nine months ended September 30, 2004, Polymers revenues increased by $171.9 million, or 20%, from the same period in 2003 due mainly to 17% higher average selling prices and 3% higher sales volumes. Higher average selling prices were primarily in response to higher raw material and energy costs while sales volumes increased principally as a result of stronger customer demand.

For the nine months ended September 30, 2004, Polymers segment EBITDA decreased by $7.8 million, or 15%, from the same period in 2003. The decrease in segment EBITDA was primarily due to higher raw material and energy costs, a $7.6 million restructuring charge related to the closure of an Australian manufacturing unit and the $8.5 million unfavorable impact of foreign exchange movements, partially offset by higher average selling prices, higher sales volumes and improved production efficiencies.

Base Chemicals

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

For the nine months ended September 30, 2004, Base Chemicals segment EBITDA increased by $149.0 million, or 267%, from the same period in 2003 primarily as a result of higher average selling prices, increased sales volumes and lower operating expenses resulting from our on-going cost reduction initiatives, partially offset by higher raw material and energy costs and higher restructuring costs. During the nine months ended September 30, 2004, our Base Chemicals segment recorded restructuring charges of $9.1 million related to workforce reductions primarily at our Wilton and North Tees, U.K. facilities.

Corporate and Other

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

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

For the year ended December 31, 2003, we had a net loss of $449.7 million on revenues of $9,252.4 million, compared to net loss of $225.3 million on revenues of $8,012.2 million for 2002. The decrease of $224.4 million in net income was the result of the following items:

- Revenues for the year ended December 31, 2003 increased by $1,240.2 million, or 15%, to $9,252.4 million from $8,012.2 million during 2002. Revenues increased in all segments period over period. In both our international and domestic businesses, revenue increases resulted primarily from higher average selling prices in response to higher raw materials prices. In our international businesses, average selling prices also increased due to the strength of the major European currencies versus the U.S. dollar.

- Gross profit for the year ended December 31, 2003 decreased by $85.2 million to $997.3 million from $1,082.5 million in 2002. The decrease in gross profit was mainly the result of higher overall raw material prices during 2003 as compared to 2002. Increased raw material prices were only partially offset by increased average selling prices.

Operating expenses for the year ended December 31, 2003 decreased by $92.3 million to $732.2 million from $824.5 million in 2002. This decrease was primarily the result of a $54.8 million increase in exchange gains, $48.3 million of which was the result of an increase in foreign exchange gains at HI and reduced costs in Advanced Materials and HLLC due to cost reduction initiatives and to lower reorganization costs.

During the year ended December 31, 2003, we recorded restructuring, plant closing and asset impairment charges of $55.0 million. Our Polyurethanes segment recorded restructuring charges of $28.1 million in 2003 in connection with the integration of our global flexible products unit into our urethane specialties unit and various cost initiatives at our Rozenburg, Netherlands manufacturing site. These increased costs are the result of a number of cost reduction programs, including the cost of severance for headcount reductions and expenses in connection with operational restructuring and the financial restructuring leading up to the AdMat Transaction. Our Performance Products segment recorded restructuring charges of $22.1 million in 2003 relating to the closure of certain production units at our Whitehaven, U.K. facility, the closure of an administrative office in London, U.K., the rationalization of a surfactants technical center in Oldbury, U.K. and the restructuring of our Barcelona, Spain facility. Our Pigments segment recorded a restructuring charge of $6.5 million relating to workforce reductions across the segment's operations worldwide. All these charges are part of an overall corporate cost reduction program that is expected to be implemented from 2003 to 2005. A net charge of $0.7 million was also recorded in our Polymers segment in 2003 for the shutdown of our specialty EPS business. We also reversed $2.4 million of prior years' restructuring charges accrued in connection with our manufacturing operations at our Jefferson County, Texas facilities to reflect actual cash paid.

Net interest expense for the year ended December 31, 2003 decreased by $4.0 million to $601.0 million from $605.0 million for 2002. See "Unaudited Pro Forma Financial Data Schedule of Pro Forma and Pro Forma As Adjusted Interest Expense Adjustments."

Loss on HI's accounts receivable securitization program increased $26.9 million to a loss of $32.4 million for the year ended December 31, 2003 as compared to a loss of $5.5 million for 2002. Losses on the accounts receivable securitization program include the discount on receivables sold into the program, fees and expenses associated with the program and gains (losses) on foreign currency hedge contracts mandated by the terms of the program to hedge currency exposures on the collateral supporting the off-balance sheet debt issued. This increase is mainly attributable to losses on foreign currency hedge contracts mandated by HI's accounts receivable securitization program, and the increase in the size of HI's accounts receivable securitization program effective October 2002.

Income tax expense increased $43.2 million to an expense of $32.1 million for the year ended December 31, 2003 as compared to a benefit of $11.1 million for 2002. Our tax obligations are affected by the mix of income and losses in the tax jurisdictions in which we operate. Increased tax expense occurred because we were unable to provide a tax benefit on losses incurred in jurisdictions where full valuation allowances were required to be placed against the current operating losses. Additional tax expense occurred due to increased income in jurisdictions where valuation allowances are not required to be placed against net deferred tax assets.

HMP's minority interest in the losses of Advanced Materials decreased by $9.0 million to $6.8 million for the year ended December 31, 2003 as compared to $15.8 million for 2002. This decrease was due to the decrease in net loss of Advanced Materials.

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

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

	Pro Forma Year Ended December 31, 2002	Pro Forma Year Ended December 31, 2003	% Change
	(in millions)		
Revenues			
Polyurethanes	$ 2,066.0	$ 2,297.5	11%
Advanced Materials	949.0	1,049.6	11%
Performance Products	1,524.0	1,689.6	11%
Pigments	880.3	1,009.9	15%
Polymers	944.3	1,155.5	22%
Base Chemicals	2,091.3	2,639.9	26%
Eliminations	(442.7)	(589.6)	(33)%
Total	$ 8,012.2	$ 9,252.4	16%
Segment EBITDA			
Polyurethanes	$ 365.1	$ 233.4	(36)%
Advanced Materials	(28.0)	48.2	NM
Performance Products	191.6	128.3	(33)%
Pigments	68.2	105.4	55%
Polymers	81.8	80.8	(1)%
Base Chemicals	58.6	71.7	22%
Corporate and other	120.1	(4.3)	NM
Total	$ 857.4	$ 663.5	(23)%

NM Not Meaningful

Polyurethanes

For the year ended December 31, 2003, Polyurethanes revenues increased by $231.5 million, or 11%, to $2,297.5 million from $2,066.0 million for 2002. MDI revenues increased by 11%, due to 11% higher average selling prices and relatively flat sales volumes. The overall lack of MDI sales volume growth was largely the result of a reduction in spot sales to co-producers in 2003. MDI sales volumes, excluding spot sales, rose by 6%, with increases of 20%, 6% and 2% in Asia, the Americas and Europe, respectively, driven by the improved rigid polyurethanes market in the fourth quarter 2003. MDI overall average selling prices increased by 11%, 7% of which was attributable to the strength of the major European currencies versus the U.S. dollar and 4% of which was attributable to our continued efforts to increase sales prices as raw material costs increased. Polyol revenues increased by

16% as sales volumes increased by 4%, consistent with underlying MDI sales volumes, and average selling prices increased by 12%, 7% of which was attributable to the strength of the major European currencies versus the U.S. dollar. PO revenue decreased 8%, primarily due to the conversion of certain sales to a tolling arrangement, which affected revenues but only had a minimal impact on gross margin. MTBE revenues increased by 14% due to a 7% increase in sales volumes and a 7% increase in selling prices due to stronger crude oil and gasoline markets.

For the year ended December 31, 2003, Polyurethanes segment EBITDA decreased by $131.7 million to $233.4 million from $365.1 million for the same period in 2002. Lower EBITDA resulted mainly from a $271.9 million increase in raw material and energy costs, partly offset by a $200.5 million improvement in average selling prices. We also recorded $28.1 million in restructuring charges in connection with the integration of our global flexible products unit into our urethane specialties unit and cost reduction efforts at our Rozenburg, Netherlands site. These charges are part of an overall cost reduction program that is expected to be implemented from 2003 to 2005. We also incurred a $2.5 million charge due to the write-off of an asset formerly used in connection with our Geismar, Louisiana TDI facility. Fixed production costs increased $33.6 million, primarily due to the $18.9 million impact of the strengthening of the major European currencies versus the U.S. dollar, increased pension costs of $10.1 million and a $7.1 million fixed cost absorption as a result of a reduction in inventory levels. Operating expenses also increased $1.5 million due to a $16.6 million adverse foreign currency exchange impact, partly offset by $15.3 million in cost savings as measured in local currencies.

Advanced Materials

Advanced Materials revenues for the year ended December 31, 2003 increased by $100.6 million, or 11%, to $1,049.6 million from $949.0 million for 2002. Higher revenues were attributable to a 3% increase in sales volumes and an 8% increase in average selling prices. The increase in Advanced Materials average selling prices was primarily due to the effect of the strength of the major European currencies versus the U.S. dollar. Sales volumes in our Advanced Materials segment increased 8% in Asia, 1.5% in Europe and 2.5% in North America. Revenues from our surface technologies products increased 8%, primarily as a result of a 7% increase in average selling prices, driven primarily by favorable currency movements. Structural composites revenues increased 12%, as sales volumes increased 11%, with strong sales in the wind power generation market and strengthening sales in the aerospace and recreational markets. Average selling prices for structural composites products increased 1%, as favorable currency movements were almost entirely offset by weaker prices in the Asian electronic laminates market. Revenues from our electrical and electronics materials increased 10% in response to a 12% increase in average selling prices, driven by currency movements and selected price increases. Sales volumes of electrical products decreased by 2%, primarily due to weak demand in the U.S. and European electrical power generation markets. Adhesives revenues increased by 23%, as sales volumes increased 16% with strong sales volume gains in the DVD bonding, consumer and general industrial markets, and average selling prices increased 6% as a result of favorable foreign currency movements. Tooling and modeling materials revenues increased by 9% as sales volumes increased 3% due to steady growth in sales of stereolithography products throughout the year and growth in the automotive markets in the fourth quarter 2003. Average selling prices for tooling and modeling materials increased 6%, as a result of a combination of favorable foreign currency movements and an improvement in our product mix.

For the year ended December 31, 2003, Advanced Materials segment EBITDA increased by $76.2 million to $48.2 million from a loss of $28.0 million for the same period in 2002. Higher EBITDA resulted mainly from a decrease in operating expenses of $105.9 million to $201.1 million from $307.0 million for 2002. Lower costs in 2003 were the result of our cost reduction initiatives and a $56.0 million impairment charge recorded in 2002. This reduction was partially offset by lower margins of $15.9 million, as average selling price increases failed to keep pace with increases in raw material prices. Prices for the raw materials used as building blocks for many of our formulated polymer systems increased 9% on average in 2003 as compared to 2002, partially due to adverse foreign currency movements. Prices for epichlorohydrin and bisphenol A, the two base components of base resins, each increased 6% in Europe and were flat and increased 2%, respectively, in North America. Reorganization costs for the period increased $5.5 million, from $22.0 million in 2002 to $27.5 million in 2003. These increased costs are the result of a number of cost reduction programs, including the cost of severance for headcount reductions and expenses in connection with operational restructuring and the financial restructuring leading up to the AdMat Transaction.

Performance Products

For the year ended December 31, 2003, Performance Products revenues increased by $165.6 million, or 11%, to $1,689.6 million from $1,524.0 million in 2002. Overall, segment sales volumes increased by 2% and average selling prices increased by 8%. EG revenues increased by 63% over 2002, resulting from a 45% increase in average selling prices in response to higher raw material costs and higher industry operating rates, and sales volumes increased 13% due to stronger demand, particularly in Asia. Maleic anhydride revenues decreased by 18% compared to 2002, as sales volumes fell by 2% and average selling prices fell by 19%, both due to lower sales of relatively higher-priced catalyst. Our sales of maleic anhydride catalyst are dependent upon new plant commissioning, plant retrofits and catalyst change schedules. Surfactants revenues increased by 5% over 2002, resulting from an 8% increase in average selling prices, partially offset by a decrease of 3% in global sales volumes. Average selling prices in our non-U.S. surfactants markets decreased in local currencies due to intense competition, but average selling prices of our surfactants increased by 19% due to the strength of the major European currencies and the Australian dollar versus the U.S. dollar. In the U.S., surfactants pricing was relatively flat. Surfactants sales volumes decreased due to a market shift away from nonyl phenol ethoxylates to alternative products, softer European demand, competitive activity and decreased export business as a result of the strength of the major European currencies versus the U.S. dollar. Amine revenues increased by 12% over 2002, resulting from a 9% increase in average selling prices, which was due to higher raw material costs, and improved product mix and an increase of 2% in sales volumes as a result of favorable demand conditions.

For the year ended December 31, 2003, Performance Products segment EBITDA fell by $63.3 million to $128.3 million from $191.6 million in 2002. Lower segment EBITDA resulted mainly from a $157.5 million increase in raw material costs, partially offset by a $139.7 million improvement in average selling prices. Fixed production costs increased by $13.2 million, of which $11.0 million was due to adverse foreign exchange movements, and the remainder of which was due to higher maintenance and waste disposal costs. Overall, operating expenses increased by $12.2 million, of which $9.0 million was due to adverse foreign exchange impacts. Restructuring costs in the year ended December 31, 2003 were $17.5 million higher than in 2002 due to the $20.1 million charge taken in connection with the closure of certain units at our Whitehaven, U.K. facility in September 2003 and $2.0 million charged in respect of severance costs arising from the closure of an administrative office in London, U.K., the rationalization of our surfactants technical center in Oldbury, U.K. and the restructuring of our facility in Barcelona, Spain.

Pigments

For the year ended December 31, 2003, Pigments revenues increased by $129.6 million, or 15%, to $1,009.9 million from $880.3 million for the same period in 2002. Average selling prices increased by 13%, of which 9% resulted from the strength of the major European currencies versus the U.S. dollar, and the remainder of which resulted from improved supply and demand conditions. Average selling prices as measured in local currencies increased by 5%, 3% and 6% in Europe, North America and

Asia-Pacific ("APAC"), respectively, due to price increases implemented in early 2003 as a result of favorable supply and demand conditions that existed at that time. Sales volumes increased overall by 1%, with North America and APAC both showing an increase of 6%, while Europe was unchanged.

For the year ended December 31, 2003, Pigments segment EBITDA increased by $37.2 million to $105.4 million from $68.2 million in 2002. The increase in segment EBITDA is primarily a result of a $114.6 million increase in selling prices and the $5.3 million impact of the 1% increase in sales volume, partially offset by an increase in manufacturing costs of $83.6 million. The manufacturing cost increase was caused mainly by foreign currency movements of $84.3 million, which were partially offset by savings of $4.8 million, as measured in local currencies, from our cost reduction initiatives. Operating expenses increased by $1.6 million mainly due to an increase in restructuring charges of $3.4 million and a $3.2 million increase in pension costs, partially offset by the release of $2.6 million of surplus environmental provisions recorded in relation to our Tracy, Canada facility, which was closed in 2000.

Polymers

For the year ended December 31, 2003, Polymers revenues increased by $211.2 million, or 22%, to $1,155.5 million from $944.3 million in 2002. Overall sales volumes increased by 9% and average selling prices increased by 13%. Polyethylene revenues increased by 22%, as average selling prices increased 19% primarily in response to higher underlying raw material and energy costs, and sales volumes increased 2%. After giving effect to the shutdown of a manufacturing line in Odessa, Texas, polypropylene revenues increased by 11%, as average selling prices increased by 11% primarily in response to higher raw material and energy costs and increased industry operating rates. APAO revenues increased by 29%, as average selling prices increased 5% due to changes in product mix, and sales volumes increased 24% as the result of increased export sales and increased sales into the roofing market. EPS revenues increased by 10%, as average selling prices increased 16% primarily in response to higher underlying raw material and energy costs, while sales volumes decreased 5% due to import competition. Australian styrenics revenues increased by 25%, resulting from an increase in average selling prices of 18%, 17% of which was attributable to the strength of the Australian dollar versus the U.S. dollar, and an increase in sales volumes of 6%.

For the year ended December 31, 2003, Polymers segment EBITDA decreased by $1.0 million to $80.8 million from $81.8 million in 2002. The decrease in segment EBITDA is primarily the result of increases in selling prices of $165.5 million and increases in sales volumes of $8.6 million, which were offset by higher raw material and energy prices of $152.4 million, higher fixed production costs of $18.6 million (primarily in maintenance and employee costs), and lower operating expenses of $2.2 million. A favorable adjustment of $5.7 million to EBITDA taken in 2002, associated with the partial reversal of a 2001 restructuring charge, also contributed a negative impact to the 2003 over 2002 change.

Base Chemicals

For the year ended December 31, 2003, Base Chemicals revenues increased by $548.6 million, or 26%, to $2,639.9 million from $2,091.3 million in 2002. Overall, sales volumes decreased by 3% and average selling prices increased by 30%. The decrease in sales volumes was primarily the result of a 14% decrease in our U.S. olefins sales volumes due to the planned maintenance shutdown at our Port Arthur, Texas facility in May 2003 and lower benzene sales volumes in our European markets due to increased internal consumption to produce cyclohexane. Base Chemicals average selling prices were up 24% in response to higher raw material and energy prices and favorable supply and demand conditions and 6% due to the strength of the major European currencies versus the U.S. dollar. Ethylene revenues increased 22%, resulting from a 22% increase in average sales prices while sales volumes were relatively flat. Propylene revenue increase 6%, resulting from an 18% increase in average selling prices, partially offset by a 10% decrease in sales volumes. Cyclohexane revenues increased 21%, resulting from a 28% increase in average selling prices, partially offset by 6% lower sales volumes.

For the year ended December 31, 2003, Base Chemicals segment EBITDA increased by $13.1 million to $71.7 million from $58.6 million in 2002. The increase in segment EBITDA is primarily the result of a $633.7 million increase in average selling prices. Higher average selling prices were partially offset by a $571.8 million increase in raw material and energy costs and by $5.3 million in lower sales volumes primarily due to the planned shutdown of our Port Arthur, Texas olefins facility. Fixed production costs increased $49.9 million, of which $16.0 million was due to foreign exchange impacts, $11.0 million was due to costs reclassified from operating expenses and $19.9 million was due to higher costs related to a planned maintenance shutdown as well as other personnel and maintenance costs. Operating expenses decreased by $7.9 million, which included $11.0 million of costs reclassified as fixed production costs, $2.6 million of insurance claim recoveries and $3.0 million of recoveries from the sale of precious metals used in the manufacturing process. The decreases in operating expenses were partially offset by $2.4 million associated with various terminated capital projects and reduced foreign currency translation gains of $1.9 million, a $1.8 million bad debt adjustment taken in 2003 and a $2.8 million credit adjustment taken in 2002 related to MTBE raw material costs in 2001.

Corporate and Other

Corporate and other includes corporate overhead, loss on the accounts receivable securitization program, minority interest in earnings of consolidated subsidiaries and unallocated foreign exchange gains and losses. For the year ended December 31, 2003, EBITDA from corporate and other items decreased by $124.4 million to a loss of $4.3 million from $120.1 million in 2002. This decrease was primarily due to the cumulative effect of accounting changes of $169.7 million resulting from the adoption of SFAS No. 141, "*Business Combinations*," and increased losses on HI's accounts receivable securitization program of $26.9 million, partially offset by decreased reorganization costs of $13.1 million and increased unallocated foreign exchange gains of $54.8 million.

As noted, unallocated foreign exchange gains were $54.8 million higher, primarily resulting from movements in the foreign exchange rates used to translate the current portion of intercompany balances to the functional currency at the end of the period as well as the translation of foreign currency accounts receivable balances sold into HI's accounts receivable securitization program to U.S. dollars. Losses on HI's accounts receivable securitization program include the discount on receivables sold into the program, fees and expenses associated with the program and gains (losses) on foreign currency hedge contracts mandated by the terms of the program to hedge currency exposures on the collateral supporting the off-balance sheet debt issued. The increased losses on HI's accounts receivable securitization program were primarily due to losses on foreign exchange hedge contracts mandated by HI's accounts receivable securitization program and the increase in the size of the securitization facility effective October 2002.

Historical Results of Operations

The businesses of our predecessor Huntsman Holdings, LLC underwent significant changes as a result of a number of transactions. In our historical financial data, HIH is accounted for using the equity method of accounting through April 30, 2003. Effective May 1, 2003, as a result of the HIH Consolidation Transaction, we have consolidated the financial results of HIH. Effective July 1, 2003, as a result of the AdMat Transaction, we have consolidated the financial results of Advanced Materials. Effective September 30, 2002, as a result of the HLLC Restructuring, we have consolidated the financial results of HLLC. See Note 1 to the Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus for a discussion of the HLLC Restructuring. As a result, the financial information as of and for the year ended December 31, 2003 is not comparable to the prior years' historical financial data presented herein, and the financial information as of and for the nine months ended September 30, 2004 is not comparable to the financial information as of and for the nine months ended September 30, 2003.

	Historical				
	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
	(in millions)				
Revenues	$ 2,757.4	$ 2,661.0	$ 7,080.9	$ 4,711.1	$ 8,357.7
Cost of goods sold	2,666.6	2,421.0	6,373.1	4,258.7	7,358.0
Gross profit	90.8	240.0	707.8	452.4	999.7
Operating expense	211.7	174.7	493.4	333.3	580.9
Restructuring, impairment and plant closing costs (credit)	588.5	(1.0)	37.9	27.2	202.4
Operating (loss) income	(709.4)	66.3	176.5	91.9	216.4
Interest expense, net	(239.3)	(181.9)	(409.1)	(260.7)	(459.5)
Loss on sale of accounts receivable	(5.9)		(20.4)	(11.9)	(10.2)
Equity in (loss) income of unconsolidated affiliates	(86.8)	(31.4)	(37.5)	(38.2)	3.0
Other (expense) income	0.6	(7.6)		0.4	(0.8)
Loss before income tax benefit and minority interests	(1,040.8)	(154.6)	(290.5)	(218.5)	(251.1)
Income tax benefit (expense)	184.9	(8.5)	(30.8)	3.8	25.7
Minority interests in subsidiaries' loss (income)	13.1	(28.8)	1.5	0.5	(1.1)
Cumulative effect of accounting changes	0.1	169.7			
Net loss	$ (842.7)	$ (22.2)	$ (319.8)	$ (214.2)	$ (226.5)
Interest expense, net	239.3	181.9	409.1	260.7	459.5
Income tax (benefit) expense	(184.9)	8.5	30.8	(3.8)	(25.7)
Depreciation and amortization	197.5	152.7	353.4	230.5	410.3
EBITDA(1)	$ (590.8)	$ 320.9	$ 473.5	$ 273.2	$ 617.6

(1) EBITDA is defined as net income (loss) before interest, income taxes, depreciation and amortization. We believe that EBITDA information enhances an investor's understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our indebtedness. In addition, we refer to EBITDA because certain covenants in our borrowing arrangements are tied to similar measures. However, EBITDA should not be considered in isolation or viewed as a substitute for net income, cash flow from operations or other measures of performance as defined by GAAP. We understand that while EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, EBITDA as used herein is not necessarily comparable to other similarly titled measures of other companies due to potential inconsistencies in the method of calculation. Our management uses EBITDA to assess financial performance and debt service capabilities. In assessing financial performance, our management reviews EBITDA as a general indicator of economic performance compared to prior periods. Because EBITDA excludes interest, income taxes, depreciation and amortization, EBITDA provides an indicator of general economic performance that is not affected by debt restructurings, fluctuations in interest rates or effective tax rates, or levels of depreciation and amortization. Our management believes this type of measurement is useful for comparing general operating performance from period to period and making certain related management decisions. Nevertheless, our management recognizes that there are material limitations associated

with the

use of EBITDA as compared to net income, which reflects overall financial performance, including the effects of interest, income taxes, depreciation and amortization.

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

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

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

Revenues for the nine months ended September 30, 2004 increased by $3,646.6 million, or 77%, to $8,357.7 million from $4,711.1 million during the same period in 2003. This increase was primarily due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the entire period in 2004.

Gross profit for the nine months ended September 30, 2004 increased by $547.3 million, or 121%, to $999.7 million from $452.4 million in the same period in 2003. This increase was primarily due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the entire period in 2004.

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

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

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

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

Income tax benefit increased by $21.9 million to a benefit of $25.7 million for the nine months ended September 30, 2004 as compared to income tax benefit of $3.8 million for the nine months ended September 30, 2003. Our tax obligations are affected by the mix of income and losses in the tax jurisdictions in which we operate. Increased tax benefit was largely due to changes in pre-tax income. Substantially all non-U.S. operations of our Advanced Materials subsidiary are treated as branches for U.S. income tax purposes and are, therefore, subject to both U.S. and non-U.S. income tax. The U.S. tax implications of income from Advanced Materials operations are offset by other U.S. losses, which results in no U.S. tax expense or benefit, net of valuation allowances. Application of the statutory rate would result in a non-U.S. tax expense of approximately $17 million on $50.0 million of Advanced Materials pre-tax income. An additional $15.3 million of tax expense was primarily the result of our recognizing losses in jurisdictions where little or no tax benefit was provided. In addition, we recognized a $55.0 million benefit attributable to non-Advanced Materials foreign operations. In particular, during the nine months ended September 30, 2004 we recognized non-recurring benefits in Spain, France and Holland of approximately $27 million associated with enacted changes in tax rates, the settlement of tax authority examinations and the reversal of previously established valuation allowances. In addition, we recognized approximately $24 million of benefit from losses in jurisdictions not subject to valuation allowances as well as treaty negotiated reductions in statutory rates.

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

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

NM Not Meaningful

Polyurethanes

For the nine months ended September 30, 2004, Polyurethanes revenues increased by $1.1 billion, or 115.5%, from the same period in 2003. This increase was due primarily to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003.

For the nine months ended September 30, 2004, Polyurethanes segment EBITDA increased by $170.9 million, or 171%, to $270.7 million from $99.8 million for the same period in 2003 due primarily to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003.

Advanced Materials

Advanced Materials revenues for the nine months ended September 30, 2004 increased by $607.7 million, or 235%, from the same period in 2003. The increase was attributable to our ownership of Advanced Materials for the entire period in 2004 following the AdMat Transaction on June 30, 2003.

For the nine months ended September 30, 2004, Advanced Materials segment EBITDA increased by $101.8 million to $121.3 million from $19.5 million for the same period of 2003. The increase was attributable to the our ownership of Advanced Materials for the entire period in 2004 following the AdMat Transaction on June 30, 2003.

Performance Products

For the nine months ended September 30, 2004, Performance Products revenues increased by $315.3 million, or 29%, from the same period in 2003. This increase was primarily due to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003. Excluding the impact of the HIH Consolidation Transaction, for HLLC (excluding HIH), higher revenues resulted primarily from higher average selling prices for all products, offset somewhat by lower sales volumes in certain product lines. Overall, average selling prices increased by 12% in response to higher raw material and energy costs, improved market conditions and the strength of the Australian dollar versus the U.S. dollar. A 3% decrease in sales volumes resulted principally from lower sales volumes of amines and surfactants. The reduction in surfactants sales volumes was due principally to increased competition in the marketplace.

For the nine months ended September 30, 2004, Performance Products segment EBITDA decreased by $4.8 million, or 5%, to $82.9 million from $87.7 million for the same period in 2003 due primarily to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003. Excluding the impact of the HIH Consolidation Transaction, for HLLC (excluding HIH), decrease in segment EBITDA resulted primarily from higher raw material and energy costs and higher restructuring charges that more than offset higher average selling prices, particularly for ethylene glycol. During the nine months ended September 30, 2004, HLLC recorded restructuring charges of $23.3 million related primarily to the closure of our Guelph, Canada, Queeny, Missouri and Austin, Texas facilities.

Pigments

For the nine months ended September 30, 2004, Pigments revenues increased by $373.0 million, or 88%, from the same period in 2003. This increase was primarily due to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003.

Pigments segment EBITDA for the nine months ended September 30, 2004 decreased by $101.2 million to a loss of $53.6 million from income of $47.6 million for the same period in 2003 due primarily to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003. During the nine months ended September 30, 2004 and 2003, our Pigments segment recorded restructuring charges of $111.7 million and $1.1 million, respectively.

Polymers

For the nine months ended September 30, 2004, Polymers revenues increased by $171.9 million, or 20%, to $1,019.6 million from $847.7 million the same period in 2003 due mainly to 17% higher average selling prices and 3% higher sales volumes. Higher average selling prices were primarily in response to higher raw material and energy costs while sales volumes increased principally as a result of stronger customer demand.

For the nine months ended September 30, 2004, Polymers segment EBITDA decreased by $7.8 million to $45.6 million from $53.4 million for the same period in 2003. The decrease in segment EBITDA was primarily due to higher raw material and energy costs, and $7.6 million restructuring charge related to the closure of an Australian manufacturing unit and the $8.5 million unfavorable impact of foreign exchange movements, partially offset by higher average selling prices, higher sales volumes and improved production efficiencies.

Base Chemicals

For the nine months ended September 30, 2004, Base Chemicals revenues increased $1.3 billion, or 88%, from the same period in 2003. This increase was primarily due to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003. Excluding the impact of the HIH Consolidation Transaction, for HLLC (excluding HIH), the increase in revenue is due to 27% higher average selling prices and 5% higher sales volumes. Higher average selling prices were primarily in response to higher raw material and energy costs. Sales volumes increases were driven by increases for ethylene, propylene and cyclohexane of 10%, 14% and 27%, respectively, principally as a result of increased demand.

For the nine months ended September 30, 2004, Base Chemicals segment EBITDA increased by $180.0 million to $204.8 million from $24.8 million for the same period in 2003 due primarily to our consolidation of HIH for the entire period in 2004 following the HIH Consolidation Transaction effective May 1, 2003. Excluding the impact of the HIH Consolidation Transaction, for HLLC (excluding HIH), segment EBITDA increased by $56.2 million from the same period in 2003, primarily as a result of higher average selling prices, increased sales volumes and lower operating expenses relating to our on-going cost reduction initiatives, partially offset higher raw material and energy costs and higher maintenance costs on furnaces in the U.S.

Corporate and Other

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

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

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

Revenues for the year ended December 31, 2003 increased by $4,419.9 million to $7,080.9 million from $2,661.0 million during 2002. This increase was primarily due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the remainder of 2003.

Gross profit for the year ended December 31, 2003 increased by $467.8 million to $707.8 million from $240.0 million in 2002. This increase was primarily due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the remainder of 2003.

Operating expenses for the year ended December 31, 2003 increased by $318.7 million to $493.4 million from $174.7 million in 2002. This increase was primarily due to our consolidation of HIH following the HIH Consolidation Transaction effective May 1, 2003 and our ownership of Advanced Materials following the AdMat Transaction on June 30, 2003, in each case for the remainder of 2003.

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

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

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

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

Minority interest in subsidiary losses decreased by $30.3 million to income of $1.5 million for the year ended December 31, 2003 as compared to a loss of $28.8 million for 2002. This decrease was due to our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003.

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

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

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

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

Polyurethanes

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

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

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Advanced Materials

Advanced Materials revenues for the year ended December 31, 2003 increased by $517.8 million to $517.8 million from $0.0 million for 2002. The increase was the result of our ownership of Advanced Materials for the remainder of 2003 following the AdMat Transaction on June 30, 2003.

For the year ended December 31, 2003, Advanced Materials segment EBITDA increased by $38.6 million to $38.6 million from $0.0 million for the same period in 2002. The increase was the result of our ownership of Advanced Materials for the remainder of 2003 following the AdMat Transaction on June 30, 2003.

Performance Products

For the year ended December 31, 2003, Performance Products revenues increased by $479.5 million, or 47%, to $1,507.7 million from $1,028.2 million in 2002. The increase was primarily the result of our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. Excluding the impact of the HIH Consolidation Transaction, for HLLC (excluding HIH), higher revenues resulted mainly from increases in average selling prices of 1% and sales volumes of 5%.

For the year ended December 31, 2003, Performance Products segment EBITDA fell by $38.8 million to $125.6 million from $164.4 million in 2002 due primarily to our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. Excluding the impact of the HIH Consolidation Transaction, for HLLC (excluding HIH), lower EBITDA resulted mainly from an increase in raw material costs which was only partially offset by an improvement in average selling prices. Operating expenses were also lower.

Pigments

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

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

Polymers

For the year ended December 31, 2003, Polymers revenues increased by $315.3 million, or 38%, to $1,155.5 million from $840.2 million in 2002. Overall sales volumes increased by 9% and average selling prices increased by 13%. Polyethylene revenues increased by 22%, as average selling prices increased 19% primarily in response to higher underlying raw material and energy costs, and sales volumes increased 2%. After giving effect to the shutdown of a manufacturing line in Odessa, Texas, polypropylene revenues increased by 11%, as average selling prices increased by 11% primarily in response to higher raw material and energy costs and increased industry operating rates. APAO revenues increased by 29%, as average selling prices increased 5% due to changes in product mix, and sales volumes increased 24% as the result of increased export sales and increased sales into the roofing market. EPS revenues increased by 10%, as average selling prices increased 16% primarily in response to higher underlying raw material and energy costs, while sales volumes decreased 5% due to import competition. Australian styrenics revenues increased by 25%, resulting from an increase in average selling prices of 18%, 17% of which was attributable to the strength of the Australian dollar versus the U.S. dollar, and an increase in sales volumes of 6%.

For the year ended December 31, 2003, Polymers segment EBITDA increased by $6.1 million to $80.8 million from $74.7 million in 2002. The increase in EBITDA is primarily the result of increases in average selling prices, partially offset by higher raw material costs.

Base Chemicals

For the year ended December 31, 2003, Base Chemicals revenues increased by $1,156.5 million, or 116%, to $2,152.7 million from $996.2 million in 2002. The increase was primarily the result of our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. Excluding the impact of the HIH Consolidation Transaction, for HLLC (excluding HIH), higher revenues resulted mainly from increases in average selling prices of 28%, partially offset by a decrease in overall sales volumes of 3%.

For the year ended December 31, 2003, Base Chemicals segment EBITDA decreased by $4.0 million to $40.7 million from $44.7 million in 2002. Segment EBITDA increased as a result of our consolidation of HIH for the remainder of 2003 following the HIH Consolidation Transaction effective May 1, 2003. Excluding the impact of the HIH Consolidation Transaction, for HLLC (excluding HIH), EBITDA decreased primarily as a result of higher raw material and energy costs, which were partially offset by increases in average selling prices, and higher fixed production expenses due to costs related to a planned maintenance shutdown as well as other personnel and maintenance costs.

Corporate and Other

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

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

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

- Revenues for the year ended December 31, 2002 decreased $96.4 million, or 3%, to $2,661.0 million from $2,757.4 million for 2001. The decrease was attributable to reduced revenues in the Performance Products and Base Chemicals segments partially offset by higher revenues for Polymers. The increase in Polymers revenues was primarily due to the inclusion of the fourth quarter results of our Australian styrenics operations. Prior to the fourth quarter of 2002, these results were reported under the equity method of accounting. Lower average selling prices were experienced by all business segments. Lower sales volumes for Polymers were partially offset by higher sales volumes for Performance Products and Base Chemicals. Lower sales volumes in the Polymers segment were primarily due to the permanent closure of our styrene plant in Odessa, Texas in 2001, which resulted in a $40.8 million decrease in revenues for the year ended December 31, 2002 as compared with the same period in 2001.

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

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

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

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

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

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

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

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

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

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

	Historical	
	Year Ended December 31,	
	2001	2002
	(in millions)	
Net Sales:		
Performance Products	$ 1,077.6	$ 1,028.2
Polymers	816.4	840.2
Base Chemicals	1,051.3	996.2
Eliminations	(187.9)	(203.6)
	$ 2,757.4	$ 2,661.0
Segment EBITDA:		
Performance Products	$ 127.7	$ 164.4
Polymers	(550.6)	74.7
Base Chemicals	63.1	44.7
Corporate and other	(231.1)	(132.6)
Total	$ (590.9)	$ 151.2

Performance Products

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

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

Polymers

For the year ended December 31, 2002, Polymers revenues increased by $23.8 million to $840.2 million from $816.4 million in 2001. The major factor contributing to the increase in Polymers revenues was the inclusion of the fourth quarter results of our Australian styrenics operations in 2002, which resulted in an increase of $35.7 million of revenues. Prior to the fourth quarter 2002, these results were reported under the equity method of accounting. Offsetting this increase, we had lower revenues due to the permanent closure of our Odessa, Texas styrene plant, which resulted in a reduction in revenues of $40.8 million. Changes in U.S. revenues are as follows: Olefins revenues decreased by 19%, with sales volumes down 12% due primarily to lower propane sales resulting from a change in feedstock mix, while average selling prices decreased by 7% due to declining underlying raw material and energy prices. Polyethylene revenues increased by 2%, with sales volumes up by 10% on

stronger demand. Increased polyethylene sales volumes were partially offset by a decrease in average selling prices of 7%. Polypropylene revenues increased by 10%, with sales volumes up 7% due to a tighter supply/demand balance and concentrated buying associated with the discontinuation of certain polypropylene products from our Odessa facility. EPS revenue increased 5%, with sales volumes up by 10% due to a tighter supply/demand balance, partially offset by a decrease in average selling prices of 3%.

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

Base Chemicals

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

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

Corporate and Other

Corporate and other includes corporate overhead, gain (loss) on the accounts receivable securitization program, minority interest in earnings of consolidated subsidiaries and unallocated foreign exchange gains and losses. EBITDA from corporate and other for the year ended December 31, 2002 increased by $98.5 million to an EBITDA loss of $132.6 million from an EBITDA loss of $231.1 million for 2001. The increase was due to a $61.5 million restructuring charge recorded in the 2001 period, a $41.1 million change in minority interest, a $5.6 million increase in loss on extinguishment of long-term debt, a decrease in equity losses of $54.6 million due to reduced losses of HIH, and reductions in corporate overhead expenses of $22.0 million resulting from our cost reduction program. Additionally, we had $8.6 million in additional write-offs of accounts receivable balances in 2001 as compared with 2002, which resulted in lower corporate and other costs in 2002.

Liquidity and Capital Resources

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

Net cash provided (used) by operating activities for the nine months ended September 30, 2004 and September 30, 2003 was $55.9 million and $(36.6) million, respectively. The variance is largely attributable to the HIH Consolidation Transaction and the AdMat Transaction that occurred in the 2003 period. The net loss in the 2004 period was $12.3 million higher than in the 2003 period. Offsetting this increased loss were net favorable adjustments to reconcile net loss to net cash used in operating activities, including higher depreciation and amortization by $179.8 million in the 2004 period, higher non cash restructuring charges in the 2004 period by $96.7 million, and higher non cash interest expense by $73.5 million, partially offset by a net increase in net operating assets and liabilities of $157.0 in the 2004 period versus the 2003 period. In addition, the adjustments for deferred income taxes and equity in (gain) loss of investment in unconsolidated affiliates decreased by $38.4 million and $41.2 million, respectively.

Net cash used in investing activities for the nine months ended September 30, 2004 and September 30, 2003 was $153.1 million and $843.0 million, respectively. The variance is largely attributable to the HIH Consolidation Transaction and the AdMat Transaction that occurred in 2003. The investing activities for the nine months ended September 30, 2003 include the acquisition of minority interests in connection with the HIH Consolidation Transaction and the cash paid in connection with the AdMat Transaction. Capital expenditures in the 2004 period were $15.1 million higher in the 2004 period than in the 2003 period, largely attributable to the non-comparative nature of the 2003 results.

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

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

Net cash provided by operating activities for the years ended December 31, 2003 and December 31, 2002 was $225.4 million and $88.7 million, respectively. The variance is largely attributable to the HIH Consolidation Transaction and the AdMat Transaction that occurred in the 2003 period. The net loss in the 2003 period was $297.6 million higher than in the 2002 period. Offsetting this increased loss were net favorable adjustments to reconcile net loss to net cash provided by operating activities, including higher depreciation and amortization by $200.7 million in the 2003 period, higher non-cash interest expense by $104.2 million in the 2003 period and a net decrease in net operating assets and liabilities of $30.5 million in the 2003 period versus the 2002 period. In addition, there was a negative adjustment to reconcile net loss to net cash provided by operating activities in the 2002 period of $169.7 million for cumulative effect of accounting change, and a negative adjustment of $58.3 million in the 2003 period for unrealized gains and losses on foreign currency transactions.

Net cash used in investing activities for the years ended December 31, 2003 and December 31, 2002 was $907.1 million and $77.7 million, respectively. The increase was largely attributable to the acquisition of minority interests in connection with the HIH Consolidation Transaction as well as the cash paid in connection with the AdMat Transaction. In addition, capital expenditures were higher in 2003 primarily due to the incremental capital expenditures related to the HIH and AdMat businesses.

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

Debt and Liquidity

Secured Credit Facilities

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

On October 14, 2004, HLLC completed a $1.065 billion refinancing of the Original HLLC Credit Facilities. HLLC's credit facilities (as refinanced, the "HLLC Credit Facilities") now consist of a $350 million revolving facility due 2009 (the "HLLC Revolving Facility"), with an outstanding balance on October 14, 2004 of $105 million, and a $715 million term loan B facility due 2010 (the "HLLC Term Facility"). The HLLC Revolving Facility is secured by a first priority lien on substantially all of the current and intangible assets of HLLC and its restricted domestic subsidiaries and by a second priority lien on substantially all of the property, plant and equipment of HLLC and its restricted domestic subsidiaries and HLLC's equity interest in HIH. The HLLC Term Facility is secured by a first priority lien on substantially all of the property, plant and equipment of HLLC and its restricted domestic subsidiaries and HLLC's equity interest in HIH and by a second priority lien on substantially all of the current and intangible assets of HLLC and its restricted domestic subsidiaries. The proceeds of the refinancing were used to repay in full HLLC's outstanding borrowings under the Original HLLC Credit Facilities.

Borrowings under the new HLLC Revolving Facility are limited by a borrowing base consisting of eligible accounts receivable and inventory. The new HLLC Term Facility has scheduled annual amortization payments of approximately $7 million, with the remaining balance due at maturity. The HLLC Revolving Facility and HLLC Term Facility bear interest at LIBOR plus 2.25% per year and LIBOR plus 3.50% per year, respectively. In addition, the terms of the HLLC Term Facility provide for a reduction in interest rate margin to LIBOR plus 3.0% per year upon completion of this offering and the use of the net proceeds as described in "Use of Proceeds." The revolving credit and term loan agreements contain customary financial covenants, covenants relating to the incurrence of debt and the purchase and sale of assets, limitations on investments and affiliate transactions, change in control provisions, events of default and acceleration provisions.

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

Pursuant to the July 13, 2004 amendment and restatement of the HI Credit Facilities, interest rates on the HI Revolving Facility and the HI Term Facility decreased from a LIBOR spread of 3.50% and 4.125% to 3.25% and 3.25%, respectively. In addition, scheduled amortization of the HI Term Facility is approximately $13.7 million per year, commencing June 30, 2005, with the remaining unpaid balance due at maturity on December 31, 2010. Maturity will be accelerated to December 31, 2008 if HI has not refinanced all of the outstanding HI Senior Notes and HI Senior Subordinated Notes (as defined below) on or before December 31, 2008 on terms satisfactory to the administrative agent under the HI Credit Facilities.

The HI Credit Facilities contain customary financial covenants, covenants relating to the incurrence of debt and the purchase and sale of assets, limitations on investments and affiliate transactions, change in control provisions, events of default and acceleration provisions. The amendment and restatement of the HI Credit Facilities amended certain financial covenants. These amendments, among other things, included changes to the maximum leverage ratio, the minimum interest coverage ratio, and provided for an increase in the permitted amount of annual consolidated capital expenditures from $250 million to $300 million, with a provision for carryover to subsequent years. In addition, the mandatory prepayment level in connection with HI's accounts receivable securitization program was increased from $310 million to $325 million. For more information, see " Liquidity and Capital Resources Off-Balance Sheet Arrangements" below.

On June 30, 2003, Advanced Materials entered into a $60 million revolving credit facility (the "AdMat Revolving Credit Facility") with a maturity of June 30, 2007. As of September 30, 2004, Advanced Materials had no outstanding revolving borrowings under the AdMat Revolving Credit Facility and approximately $10.9 million of outstanding letters of credit issued under such facility. The AdMat Revolving Credit Facility is secured by a first priority lien on substantially all the assets of Advanced Materials' domestic subsidiaries and certain of Advanced Materials' foreign subsidiaries.

Notes

On September 30, 2003, HLLC sold $380 million aggregate principal amount of HLLC Senior Secured Notes due 2010 at an issue price of 98.8%. On December 3, 2003, HLLC sold an additional $75.4 million aggregate principal amount of HLLC Senior Secured Notes at an issue price of 99.5%. Interest on the HLLC Senior Secured Notes is payable semi-annually in April and October of each year. Net proceeds from the sale of these notes were used to repay amounts outstanding under the Original HLLC Credit Facilities and certain other indebtedness. The HLLC Senior Secured Notes rank pari passu with the HLLC Term Facility. The HLLC Senior Secured Notes are redeemable after

October 15, 2007 at 105.813% of the principal amount thereof, declining ratably to par on and after October 15, 2009. At any time prior to October 15, 2006, HLLC may redeem up to 35% of the aggregate principal amount of the HLLC Senior Secured Notes at a redemption price of 111.625% of the principal amount thereof, plus accrued and unpaid interest to the redemption date with the net cash proceeds of a qualified equity offering. We intend to use a portion of the net proceeds of this offering to redeem $159.4 million in aggregate principal amount of these notes.

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

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

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

HI also has outstanding $600 million and €450 million ($559.6 million as of September 30, 2004, which includes $5.2 million of unamortized premium) of $10^1/_8$% senior subordinated notes due 2009 (the "HI Senior Subordinated Notes"). The HI Senior Subordinated Notes are unsecured. Interest on the HI Senior Subordinated Notes is payable semi-annually in January and July of each year. The HI Senior Subordinated Notes became redeemable on July 1, 2004 at 105.063% of the principal amount thereof, which declines ratably to par on and after July 1, 2007.

On June 30, 2003, in connection with the AdMat Transaction, Advanced Materials issued $350 million aggregate principal amount of its senior secured notes (the "AdMat Senior Secured

Notes"), consisting of 11% fixed rate notes with an aggregate principal amount of $250 million due 2010 (the "AdMat Fixed Rate Notes") and floating rate notes with an aggregate principal amount of $100 million due 2008, which bear interest at a rate equal to LIBOR plus 8.00% (but not lower than 10.00%) (the "AdMat Floating Rate Notes"). The AdMat Floating Rate Notes were issued with an original issue discount of 2%, or for $98 million. As of September 30, 2004, the interest rate on the Floating Rate Notes was 10.0%. Interest on the AdMat Senior Secured Notes is payable semi-annually in January and July of each year. The AdMat Senior Secured Notes are secured by a second lien on substantially all of the assets that secure the AdMat Revolving Credit Facility and are guaranteed on a senior basis by the AdMat Guarantors. The AdMat Fixed Rate Notes are redeemable on or after July 15, 2007 at 105.5% of the principal amount thereof, declining ratably to par on or after July 15, 2009. The AdMat Floating Rate Notes are redeemable on or after July 15, 2005 at 105.0% of the principal amount thereof, declining ratably to par on or after July 15, 2007. At any time prior to July 15, 2006, Advanced Materials may redeem up to 35% of the aggregate principal amount of the AdMat Fixed Rate Notes at 111% of the principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds of a qualified equity offering. At any time prior to July 15, 2005, Advanced Materials may redeem up to 35% of the aggregate principal amount of the AdMat Floating Rate Notes at 111% of the principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds of a qualified equity offering.

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

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

Discount Notes

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

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

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

Other Debt

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

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

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

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

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

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

Included within other debt is debt associated with one of HI's Chinese MDI joint ventures. In January 2003, HI entered into a joint venture agreement with Shanghai Chlor-Alkali Chemical Company, Ltd. to build MDI production facilities near Shanghai, China. HI owns 70% of the joint venture, Huntsman Polyurethanes Shanghai Ltd. (the "Chinese Splitting JV"), which is a consolidated affiliate. On September 19, 2003, the Chinese Splitting JV obtained secured financing for the construction of the production facilities consisting of various committed loans in the aggregate amount of approximately $119 million in U.S. dollar equivalents. As of September 30, 2004, there were $7.0 million outstanding in U.S. dollar borrowings and 10.0 million in RMB borrowings ($1.2 million) under these facilities. The interest rate on these facilities is LIBOR plus 0.48% for U.S. dollar borrowings and 90% of the Peoples Bank of China rate for RMB borrowings. As of September 30, 2004, the interest rates for U.S. dollar borrowings and RMB borrowings were approximately 2.6% and 5.2%, respectively. The loans are secured by substantially all the assets of the Chinese Splitting JV and will be repaid in 16 semi-annual installments, beginning no later than June 30, 2007. The financing will be non-recourse to HI, but is guaranteed during the construction phase by us. We unconditionally guarantee 70% of any amounts due and unpaid by the Chinese Splitting JV under the loans described above. Our guarantee remains in effect until the Chinese Splitting JV has commenced production of at least 70% of capacity for at least 30 days and achieved a debt service coverage ratio of at least 1.5:1.

Receivables Securitization

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

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

We depend upon our credit facilities and other debt instruments to provide liquidity for our operations and working capital needs. As of September 30, 2004, we had approximately $923 million of combined cash and combined unused borrowing capacity, consisting of approximately $185 million attributable to HLLC, approximately $629 million attributable to HI and approximately $109 million attributable to Advanced Materials.

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

Certain Credit Support Issues

Our subsidiaries HIH and HI have not guaranteed or provided any other credit support to HLLC's obligations under the HLLC Credit Facilities or its outstanding notes, and HLLC has not guaranteed or provided any other credit support to the obligations of HI under the HI Credit Facilities or to the obligations of HI and HIH under their outstanding notes. Because of restrictions contained in the financing arrangements of HIH and HI, these subsidiaries are presently unable to make any loans or "restricted payments" to HLLC, including dividends, distributions or other payments in respect of equity interests or payments to purchase, redeem or otherwise acquire or retire for value any of their equity interests, subject to exceptions contained in such financing arrangements. Events of default under the HI Credit Facilities, or under the outstanding notes of HIH and HI or the exercise of any remedy by the lenders thereunder will not cause any cross-defaults or cross-accelerations under the HLLC Credit Facilities or HLLC's outstanding notes. Additionally, any events of default under the HLLC Credit Facilities or HLLC's outstanding notes or the exercise of any remedy by the lenders thereunder will not cause any cross-defaults or cross-accelerations under the outstanding notes of HIH or HI or the HI Credit Facilities, except insofar as foreclosure on certain subsidiary equity interests pledged to secure our obligations under the HLLC Credit Facilities or the HLLC 2003 Secured Notes, would constitute a "change of control" and an event of default under the HI Credit Facilities and would give rise to certain put rights in favor of the holders of outstanding notes of HI or HIH. Advanced Materials is also financed separately from HLLC and HIH, HLLC and HIH's debt is non-recourse to Advanced Materials and Advanced Materials has no contractual obligation to fund HLLC or HIH's operations and vice versa.

Contractual Obligations and Commercial Commitments

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

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

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

	2005-2007	2008-2009	After 2009	Total
		(in millions)		
Long-term debt and capital lease obligations	$ 227.1	$ 1,872.4	$ 3,033.7	$ 5,133.2

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

Off-Balance Sheet Arrangements

Receivables Securitization

HI maintains an off-balance sheet receivables securitization facility to provide liquidity for its operations and working capital needs. Under the accounts receivable securitization facility, interests in certain of its trade receivables are transferred to a qualified off-balance sheet entity (the "Receivables Trust"). The Receivables Trust is not our affiliate. The acquisitions of these receivables by the

Receivables Trust are financed through the issuance of dollar- or euro-denominated commercial paper and/or medium term notes of the Receivables Trust. The debt associated with the commercial paper and medium term notes is not reflected on HI's balance sheet. The accounts receivable securitization program is an important source of liquidity to HI.

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

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

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

Financing of Chinese MDI Facilities

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

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

Restructuring and Plant Closing Costs

Nine Months Ended September 30, 2004

As of September 30, 2004 and December 31, 2003, we had reserves for restructuring and plant closing costs of $117.3 million and $76.8 million, respectively. During the nine months ended September 30, 2004, we recorded additional reserves of $93.4 million, including reserves for workforce reductions. During the 2004 period, we made cash payments against these reserves of $55.5 million.

As of September 30, 2004, accrued restructuring and plant closing costs by type of cost consist of the following (in millions):

	Workforce Reductions	Demolition and decommissioning	Non-cancelable lease costs	Other	Total
Accrued liability as of December 31, 2003	$ 66.4	$ 4.1	$ 0.2	$ 6.1	$ 76.8
Charges(1)	88.0	1.9		3.5	93.4
Payments(2)	(47.6)	(0.2)	(0.2)	(7.5)	(55.5)
Other	0.6			2.0	2.6
Accrued liability as of September 30, 2004	$ 107.4	$ 5.8	$	$ 4.1	$ 117.3

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

	Polyurethanes	Advanced Materials	Performance Products	Pigments	Polymers	Base Chemicals	Total
Accrued liability as of December 31, 2003	$ 15.8	$ 51.5	$ 2.4	$ 4.3	$ 2.8	$	$ 76.8
Charges(1)	24.8		24.8	30.6	4.1	9.1	93.4
Payments(2)	(12.3)	(23.0)	(4.1)	(12.2)	(3.9)		(55.5)
Other		2.6					2.6
Accrued liability as of September 30, 2004	$ 28.3	$ 31.1	$ 23.1	$ 22.7	$ 3.0	$ 9.1	$ 117.3

(1) Does not include non-cash charges of $109.0 million for asset impairment.

(2) Includes impact of foreign currency translation.

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

In connection with the AdMat Transaction, we are implementing a substantial cost reduction program. The program includes reductions in costs in our Advanced Materials segment's global supply chain, reductions in general and administrative costs across the business and the centralization of operations where efficiencies may be achieved. The cost reduction program is expected to continue through June 2005 and is estimated to involve $63.5 million in total restructuring costs, all of which were recorded in the opening balance sheet. The program will result in approximately $53.9 million in costs for workforce reduction and approximately $9.6 million in costs to close plants and discontinue certain service contracts worldwide. Our Advanced Materials segment reduced workforce by 188 employees and 151 employees during the six months ended December 31, 2003 and the nine months ended September 30, 2004, respectively.

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

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

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

As of September 30, 2004 and December 31, 2003, our Pigments segment reserve consisted of $22.7 million and $4.3 million, respectively. During the nine months ended September 30, 2004, our Pigments segment recorded additional restructuring charges of $111.7 million and made cash payments of $12.2 million. In the first quarter 2004, our Pigments segment recorded restructuring expenses of $3.9 million, all of which are payable in cash. In the second quarter 2004, our Pigments segment recorded restructuring expenses of $104.2 million, of which $81.1 million is not payable in cash. In April 2004, we announced that, following a review of our Pigments business, we will idle approximately 55,000 tonnes, or about 10%, of our total TiO_2 production capacity in the fourth quarter of 2004. As a result of this decision, we have recorded a restructuring charge of $17.0 million to be paid in cash, a $77.2 million asset impairment charge and a $3.9 million charge for the write off of spare parts inventory and other assets. Concerning the impairment charge, we determined that the value of the related long-lived assets was impaired and recorded the non-cash charge to earnings for the impairment of these assets. The fair value of these assets for purposes of measuring the impairment was determined using the present value of expected cash flows. Additional second quarter 2004 restructuring activities resulted in a charge of $6.1 million, all of which is payable in cash. In the third quarter of 2004, our Pigments segment recorded restructuring expenses of $3.6 million, all of which are payable in cash, related to workforce reductions at several of our locations worldwide. These restructuring activities are expected to result in additional restructuring charges of approximately $9 million through 2005 and result in workforce reductions of approximately 475 employees, of which 180 employees have been reduced during the nine months ended September 30, 2004.

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

Restructuring Activities for the Year Ended December 31, 2003

We have incurred restructuring and plant closing costs totaling $37.9 million, $4.3 million and $588.5 million (which included asset impairment charges) for the years ended December 31, 2003, 2002 and 2001, respectively. Charges for 2001 were revised downward during 2002 by $5.3 million.

As of December 31, 2003, accrued restructuring and plant closing costs consist of the following (in millions):

	Property, plant and equipment	Workforce Reductions	Demolition and decommissioning	Non-cancelable lease costs	Other	Total
Accrued liability as of December 31, 2002	$	$ 3.9	$ 3.3	$ 0.6	$	$ 7.8
HIH charges prior to May 1, 2003[(a)]		24.2				24.2
Advanced Materials charges as of June 30, 2003[(b)]	1.5	53.2			6.1	60.8
Charges		26.1	(0.3)	(0.2)		25.6
Payments[(c)]		(41.0)	(0.4)	(0.2)		(41.6)
Accrued liability as of December 31, 2003	$ 1.5	$ 66.4	$ 2.6	$ 0.2	$ 6.1	$ 76.8

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

(b) At June 30, 2003, Advanced Materials' restructuring liabilities were recorded on its opening balance sheet.

(c) Includes impact of foreign currency translation.

Detail of these reserves by segment are as follows (in millions):

	Polyurethanes	Advanced Materials	Performance Products	Pigments	Polymers	Base Chemicals	Total
Accrued liability as of December 31, 2003	$ 15.8	$ 51.5	$ 2.4	$ 4.3	$ 2.8	$	$ 76.8

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

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

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

In connection with the AdMat Transaction, we are implementing a substantial cost reduction program. The program will include reductions in costs of our global supply chain, reductions in general and administrative costs across the business and the centralization of operations where efficiencies may be achieved. The cost reduction program is expected to be implemented from June 2003 to June 2005. We reduced 188 staff in the six months ended December 31, 2003 and an additional 151 in the nine months ended September 30, 2004. Payments of restructuring and plant closing costs were recorded against reserves established in connection with recording the AdMat Transaction as a purchase business combination. At December 31, 2003, $51.5 million remained in the reserve for restructuring and plant closing costs related to the cost reduction program.

Capital Expenditures

Nine Months Ended September 30, 2004

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

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

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

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

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

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

Year Ended December 31, 2003

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

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

Changes in Financial Condition

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

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

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

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

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

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

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

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

the decrease in current portion of long-term debt of $82.3 million is primarily attributable to the repayment of the $11^{3}/_{4}$% Senior Notes due 2004 of Huntsman Polymers (the "Huntsman Polymers Notes") of $36.8 million on January 28, 2004, and the refinancing of the HCCA Facility and the HCA Facilities, resulting in substantially all being classified as non-current at September 30, 2004. The entire balances of those facilities were classified as current as of December 31, 2003.

Recently Issued Financial Accounting Standards

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

Critical Accounting Policies

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

Revenue Recognition

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

Long-Lived Assets

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

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

We are required to evaluate our plant assets whenever events indicate that the carrying value may not be recoverable in the future or when management's plans change regarding those assets, such as idling or closing a plant. We evaluate impairment by comparing undiscounted cash flows of the related property to the carrying value. Key assumptions in determining the future cash flows include the useful life, technology, competitive pressures, raw material pricing and regulations.

Restructuring and Plant Closing Costs

We have recorded restructuring charges in recent periods in connection with closing certain plant locations, work force reductions and other cost savings programs. These charges are recorded when management has committed to a plan and incurred a liability related to the plan. Estimates for plant closing include the write-off of the carrying value of the plant, any necessary environmental and/or regulatory costs, contract termination and demolition costs. Estimates for work force reductions and other costs savings are recorded based upon estimates of the number of positions to be terminated, termination benefits to be provided and other information as necessary. Management evaluates the estimates on a quarterly basis and adjusts the reserve when information indicates that the estimate is above or below the initial estimate.

Income Taxes

Huntsman Holdings, LLC is treated as a partnership for U.S. federal income tax purposes and as such is generally not subject to U.S. income tax. Income of Huntsman Holdings, LLC is taxed directly to its owners. Income of the subsidiaries of Huntsman Holdings, LLC is taxed under consolidated corporate income tax rules. These subsidiaries file a U.S. Federal consolidated tax return with Huntsman Group Inc. ("HGI") as the parent. HGI and all of its U.S. subsidiaries are parties to various tax sharing agreements which generally provide that the entities will pay their own taxes (as computed on a separate-company basis) and will be compensated for the use of tax attributes, including net operating losses.

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 the resulting deferred tax assets to determine whether it is more likely than not that they will be realized. Valuation allowances have been established against the entire U.S. and a material portion of the non-U.S. deferred tax assets due to an uncertainty of realization.

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

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

As of December 31, 2003, we had gross deferred tax assets (primarily tax net operating losses and specific deferred tax assets of a nature similar to net operating losses) of approximately $3.0 billion. These deferred tax assets are primarily located in the U.S., the U.K., The Netherlands, Switzerland and Malaysia. A material portion of these deferred tax assets is not on our balance sheet because they are offset by a valuation allowance. In addition to the amount above, we also had gross tax net operating losses in Luxembourg of approximately $1.1 billion as of December 31, 2003. A material utilization of the Luxembourg tax net operating losses is unlikely.

Employee Benefit Programs

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

Environmental Reserves

Environmental remediation costs for our facilities are accrued when it is probable that a liability has been incurred and the amount can be reasonably estimated. Estimates of environmental reserves require evaluating government regulation, available technology, site-specific information and remediation alternatives. We accrue an amount equal to our best estimate of the costs to remediate based upon the available information. Adjustments to our estimates are made periodically based upon additional information received as remediation progresses. For further information see Note 18 to the Unaudited Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus.

Quantitative and Qualitative Disclosures About Market Risk

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

Our cash flows and earnings are subject to fluctuations due to exchange rate variation. Our sales prices are typically denominated in euros or U.S. dollars. From time to time, we may enter into foreign currency derivative instruments to minimize the short-term impact of movements in foreign currency rates. Short-term exposures to changing foreign currency exchange rates at certain foreign subsidiaries are generally netted where practicable with exposures of other subsidiaries and the remaining exposures then, from time to time, may be managed through financial market transactions, principally through the purchase of spot or forward foreign exchange contracts (with maturities of nine months or less) with various financial institutions, to reflect the currency denomination of our cash flows. We do not hedge our currency exposures in a manner that would entirely eliminate the effect of changes in exchange rates on our cash flows and earnings. As of September 30, 2004, we had no outstanding forward foreign exchange contracts. Our hedging activity from time to time comprises selling forward surpluses of non-dollar receivables for U.S. dollars. In addition, HI's accounts receivable securitization program requires in certain circumstances that we enter into certain forward foreign currency hedges intended to hedge currency exposures on the collateral supporting the off-balance sheet debt issued in the program.

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

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

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

BUSINESS

Overview

We are among the world's largest global manufacturers of differentiated and commodity chemical products. We manufacture a broad range of chemical products and formulations, which are marketed in more than 100 countries to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, durable and non-durable consumer products, electronics, medical, packaging, paints and coatings, power generation, refining and synthetic fiber industries. We are a leading global producer in many of our key product lines, including MDI, amines, surfactants, epoxy-based polymer formulations, maleic anhydride and titanium dioxide. We operate 63 manufacturing facilities located in 22 countries and employ over 11,500 associates. Our businesses benefit from significant integration, large production scale and proprietary manufacturing technologies, which allow us to maintain a low-cost position. We had pro forma revenues for the nine months ended September 30, 2004 and the year ended December 31, 2003 of $8.4 billion and $9.3 billion, respectively.

Competitive Strengths

Leading Market Positions in Our Differentiated Product Segments

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

Large Scale, Integrated Manufacturer with Low Cost Operations

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

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

Diverse Customer Base Across Broad Geographic Regions

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

Experienced Management

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

Business Strategy

Expand Our Differentiated Segments

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

Maximize Cash Generated By Our Commodity Segments

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

Continue Focus on Improving Operational Efficiencies

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

Further Reduce Our Indebtedness

We intend to use substantially all of our net proceeds from this offering to reduce our outstanding indebtedness. This will result in a significant reduction in our annual interest expense. If the profitability of our businesses continues to improve, we intend to further reduce the level of our indebtedness.

Our Products and Segments

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

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

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

Segment Revenues*	**Segment EBITDA***

* Percentage allocations in the segment revenues chart above reflect the allocations of all inter-segment revenue eliminations to our Base Chemicals segment. Percentage allocations in the segment EBITDA chart above do not give effect to $54.1 million of corporate and other unallocated items and exclude $202.4 million of restructuring and plant closing costs. For a detailed discussion of our EBITDA by segment, see Note 21 to the Unaudited Consolidated Financial Statements of Huntsman Holdings, LLC included elsewhere in this prospectus. For a discussion of EBITDA and a reconciliation of EBITDA to net income, see "Summary Historical and Pro Forma As Adjusted Financial Data."

Polyurethanes

General

We are a leading global manufacturer and marketer of a broad range of polyurethane chemicals, including MDI, PO, polyols, PG, TDI and TPU. Polyurethane chemicals are used to produce rigid and flexible foams, as well as coatings, adhesives, sealants and elastomers. We focus on the higher-margin, higher-growth markets for MDI and MDI-based polyurethane systems. Growth in our Polyurethanes segment has been driven primarily by the continued substitution of MDI-based products for other materials across a broad range of applications. As a result, according to Nexant, global consumption of MDI grew at a compound annual growth rate of 7.3% from 1992 to 2003. Our Polyurethanes segment is widely recognized as an industry leader in utilizing state-of-the-art application technology to develop new polyurethane systems and applications. In 2003, approximately 20% of the revenues from our MDI-based products were generated from products and applications introduced in the previous three years. According to Nexant, we are the lowest-cost and second-largest producer of MDI in the world. We operate four primary Polyurethanes manufacturing facilities in the U.S. and Europe. We also operate 14 Polyurethanes formulation facilities, which are located in close proximity to our customers worldwide. We have a significant interest in a manufacturing joint venture that has recently begun construction of a low-cost, world-scale, integrated MDI production facility near Shanghai, China. We expect production at this facility to commence in 2006.

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

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

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

Industry Overview

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

In 2003, according to Nexant, MDI, TDI, TPU, polyols and other products, such as specialized additives and catalysts, accounted for 30%, 15%, 2%, 38% and 15% of global polyurethane chemicals sales, respectively. MDI is used primarily in rigid foam applications and in a wide variety of customized higher-value flexible foam and coatings, adhesives, sealants and elastomers; conversely, TDI is used primarily in commodity flexible foam applications. Polyols, including polyether and polyester polyols, are used in conjunction with MDI and TDI in rigid foam, flexible foam and other non-foam applications. PO is one of the principal raw materials for producing polyether polyols. The following chart illustrates the range of product types and end uses for polyurethane chemicals:

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

Source: Nexant

MDI. As reflected in the chart above, MDI has a substantially larger market size and a higher growth rate than TDI. This is primarily because MDI can be used to make polyurethanes with a broader range of properties and can therefore be used in a wider range of applications than TDI. Nexant reports that future growth of MDI is expected to be driven by the continued substitution of MDI-based polyurethane for fiberglass and other materials currently used in rigid insulation foam for construction. We expect that other markets, such as binders for reconstituted wood board products, specialty cushioning applications and coatings will further contribute to the continued growth of MDI.

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

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

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

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

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

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

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

Source: Nexant

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

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

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

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

Sales and Marketing

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

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

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

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

Manufacturing and Operations

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

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

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

(1) Millions of gallons.

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

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

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

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

Joint Ventures

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

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

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

Raw Materials

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

A major cost in the production of polyols is attributable to the costs of PO. The integration of our PO business with our polyurethane chemicals business gives us access to a competitively priced, strategic source of PO and the opportunity to develop polyols that enhance our range of MDI products. The primary raw materials used in our PO production process are butane/isobutane, propylene, methanol and oxygen, which accounted for 57%, 24%, 16% and 3%, respectively, of total raw material costs in 2003. We purchase our raw materials primarily under long-term contracts. While most of these feedstocks are commodity materials generally available to us from a wide variety of suppliers at competitive prices in the spot market, all the propylene used in the production of our PO is produced internally and delivered through a pipeline connected to our PO facility.

Competition

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

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

Source: Nexant

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

Advanced Materials

General

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

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

Since completing the AdMat Transaction in June 2003, we have initiated a comprehensive restructuring program designed to reduce our costs and transform our Advanced Materials segment from a product-driven business to a market-focused business. This program includes optimization of our global supply chain, reductions in general and administrative costs and the consolidation and centralization of support functions across Advanced Materials and with our other businesses. We have closed or announced the closure of manufacturing facilities in Quillan, France and Thomastown, Australia and have significantly reduced or downsized the scale of our operations in Bergkamen, Germany and East Lansing, Michigan. We have also closed sales and administrative offices in seven locations. Through September 30, 2004 we have reduced our global headcount by approximately 339 people.

Market and Product Overview

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Heavy electrical:

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

Light electrical:

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

Printed circuit board:

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

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

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

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

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

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

Aerospace:

- We expect composites as a percentage of total aircraft weight to reach their highest level in history with the expected 2005 introduction of the Airbus A380 and to increase with the Boeing 7E7. We believe orders for commercial aircraft are increasing.

- We expect military aerospace spending on composite materials per plane to increase with programs including the F-22 advanced tactical fighter, the C-17 cargo plane, the Eurofighter and the F-35 Joint Strike fighter.

- We believe demand for advanced composites will increase in the growing satellite market.

Automotive, industrial and recreational:

- Increased use of composites for lighter and more durable automotive, industrial and recreational products should increase demand for our composite resins.

- The reduction of overall costs for finished products should increase the demand for our composite resins.

- Demand is growing in the rapidly developing wind energy generation market.

Electronic laminates:

- Reduction in the size of boards and components is leading to higher operating temperatures, and the resultant need to remove halogens is favoring our high-performance systems.

- The electronic laminates industry is consolidating and migrating to Asia.

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

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

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

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

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

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

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

Concentration among manufacturers is increasing.

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

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

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

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

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

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

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

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

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

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

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

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

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

Sales and Marketing

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

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

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

Manufacturing and Operations

We are a global business serving customers in three principal geographic regions: EAME; North and South America; and Asia Pacific. To service our customers efficiently, we maintain 15 manufacturing plants around with the world with a strategy of global, regional and local manufacturing employed to optimize the level of service and minimize the cost to our customers. The table below summarizes the plants that we currently operate:

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

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

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

(3) Leased land and/or building.

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

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

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

Raw Materials

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

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

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

Performance Products

General

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

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

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

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

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

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

Industry Overview

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

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

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

Amines. Amines broadly refers to the family of intermediate chemicals that are produced by reacting ammonia with various ethylene and propylene derivatives. Generally, amines are valued for their properties as a reactive, emulsifying, dispersant, detergent, solvent or corrosion inhibiting agent. Growth in demand for amines is highly correlated with GDP growth due to its strong links to general industrial and consumer products markets. However, certain segments of the amines market, such as polyetheramines, have grown at rates well in excess of GDP growth due to new product development, technical innovation, and substitution and replacement of competing products. For example, polyetheramines are used by customers who demand increasingly sophisticated performance characteristics as an additive in the manufacture of highly customized epoxy formulations, enabling the customers to penetrate new markets and substitute for traditional curing materials. As amines are generally sold based upon the performance characteristics that they provide to customer-specific end use application, pricing for amines tends to be stable and does not generally fluctuate with movements in underlying raw materials.

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

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

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

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

Surfactants. Surfactants or "surface active agents" are substances that combine a water-soluble component with a water insoluble component in the same molecule. While surfactants are most commonly used for their detergency in cleaning applications, they are also valued for their emulsification, foaming, dispersing, penetrating and wetting properties in a variety of industries. While growth in demand for surfactants is highly correlated with GDP growth due to its strong links with the household cleaning and general industrial markets, Nexant expects certain segments of the surfactants market, including personal care, to grow faster than GDP.

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

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

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

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

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

EG. We consume our internally produced EO to produce three types of EG: MEG, DEG and TEG. According to Nexant, total demand for MEG in North America in 2003 was 6.2 billion pounds, with demand growing at a compound growth rate of 2.2% since 1992. MEG is consumed primarily in the polyester (fiber and bottle resin) and antifreeze end markets, which, together, according to Nexant, comprised approximately 61% and 30% of MEG demand, respectively, in 2003. EG is also used in a wide variety of industrial applications including synthetic lubricants, plasticizers, solvents and emulsifiers.

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

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

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

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

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

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

Sales and Marketing

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

Our performance specialties businesses are organized around end-use market applications, such as coatings, polymers and resins and agrochemical. In these end uses, our marketing efforts are focused on how our product offerings perform in certain customer applications. We believe that this approach enhances the value of our product offerings and creates opportunities for on-going differentiation in our development activities with our customers. Our performance intermediates and maleic anhydride businesses organize their marketing efforts around their products and geographic regions served. We also provide extensive pre-and post-sales technical service support to our customers where our technical service professionals work closely with our research and development functions to tailor our product offerings to meet our customers unique and changing requirements. Finally, these technical service professionals interact closely with our market managers and business leadership teams to help guide future offerings and market approach strategies.

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

Manufacturing and Operations

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

These production capacities are as follows:

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

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

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

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

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

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

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

Raw Materials

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

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

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

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

Competition

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

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

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

Pigments

General

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

We offer an extensive range of products that are sold worldwide to approximately 1,500 customers in all major titanium dioxide end markets and geographic regions. The geographic diversity of our manufacturing facilities allows our Pigments segment to service local customers, as well as global customers that require delivery to more than one location. Our diverse customer base includes Ampacet, A. Schulman, Akzo Nobel, Atofina, BASF, Cabot, Clariant, ICI, Jotun and PolyOne. Our pigments business has an aggregate annual nameplate capacity of approximately 590,000 tonnes at our eight production facilities. Five of our titanium dioxide manufacturing plants are located in Europe, one is in North America, one is in Asia, and one is in South Africa. Our North American operation consists of a 50% interest in a manufacturing joint venture with Kronos Worldwide, Inc.

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

Industry Overview

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

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

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

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

Sales and Marketing

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

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

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

(1) *Source: IBMA*

Manufacturing and Operations

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

Region	Site	Annual Capacity	Process
		(tonnes)	
Western Europe	Greatham, U.K	100,000	Chloride
	Calais, France	95,000	Sulfate
	Grimsby, U.K.(1)	80,000	Sulfate
	Huelva, Spain	80,000	Sulfate
	Scarlino, Italy	80,000	Sulfate
North America	Lake Charles, Louisiana(2)	70,000	Chloride
Asia	Teluk Kalung, Malaysia	60,000	Sulfate
Southern Africa	Umbogintwini, South Africa(3)	25,000	Sulfate
Total		590,000	

(1) We have announced that we will idle 40,000 tonnes of nameplate capacity at our Grimsby, U.K. facility by the end of 2004.

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

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

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

Joint Ventures

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

Raw Materials

The primary raw materials used to produce titanium dioxide are titanium-bearing ores. We purchase the majority of our ore under long-term supply contracts with a number of ore suppliers. The majority of titanium-bearing ores are sourced from Australia, South Africa and Canada. Ore accounts for approximately 40% of pigment variable manufacturing costs, while utilities (electricity, gas and steam), sulfuric acid and chlorine collectively account for approximately 25% of our variable manufacturing costs.

The world market for titanium-bearing ores is dominated by Rio Tinto and Iluka, which account for approximately 55% of global supply. Both companies produce a range of ores for use in chloride and sulfate processes. We purchase approximately 75% of our ore from these two producers. New players, such as Taicor in South Africa and VV Minerals in India, have recently entered the market, however, creating an oversupply of most products. Consequently, the price of most titanium-bearing ores has declined in the last five years, and the ability of major producers to control prices has diminished. Given the small number of suppliers and end-users of titanium-bearing ores, we typically enter into longer-term supply agreements with beneficial terms. Approximately 80% of our ore purchases are made under agreements with terms of three to five years.

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

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

Competition

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

Polymers

General

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

Our Products

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

We produce a variety of grades of LDPE using both the tubular and autoclave processes. Many of the resins are designed to meet specific requirements of particular end users. Various types of conversion equipment, including extension coating, blown and cast film extrusion, injection and blow molding, and other proprietary methods of extrusion, use these differentiated polyethylene resins to provide high clarity, durability and sealability performance characteristics. Liner grade (general-purpose) polyethylene ordinarily competes principally on the basis of price, while more differentiated polyethylene competes principally on the basis of product quality, performance specifications and, to a lesser extent, price. We participate in both market areas, but concentrate our efforts primarily in more differentiated areas.

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

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

We employ a variety of technologies to produce different grades of polypropylene, allowing us to participate in a wide range of polypropylene applications. We provide product solutions to processors and OEMs that require special or unique formulations or characteristics. Our products are used extensively in medical applications, caps and closures, higher value automotive parts, consumer durables, and furniture. Our in-reactor TPO products produced at our Marysville, Michigan facility have replaced more expensive compounded plastics. Our Odessa, Texas facility produces grades of polypropylene utilized for medical applications, specialty films and sheets and electronics packaging. These applications have allowed us to realize substantial premium prices over commodity polypropylene.

We have the capacity to produce approximately 95 million pounds of Rextac® APAO annually at our facility in Odessa, Texas. We are one of only two on-purpose producers of APAO in the U.S. Rextac® APAO is a proprietary, patented, low molecular weight, amorphous material that utilizes polypropylene as its primary raw material. It is used extensively in roofing materials, hot melt adhesives, laminations and wire and cable coatings. Our products are sold primarily in the U.S., although we also participate in the rapidly growing Asian market. Our APAO customer base includes Firestone Building Products, Kimberly-Clark and Johns Manville.

We have the capacity to produce approximately 250 million pounds of EPS annually at our facilities in North America and Australia. We sell into the construction industry, where the product is used for insulation, and into the small but rapidly growing insulated concrete form business. The products also are used in electronics and produce packaging applications. Our specialty grades include R-mer rubber modified EPS, fire retardant grades and low-pentane formulations. Our EPS customer base includes Aptco, Cellofoam, Life Like Products and Premier Industries.

We believe that the cost position of our Wilton, U.K. olefins facility uniquely positions it to be the site of a world-scale polyethylene production facility. While we export approximately one-third of our ethylene production each year from Wilton, U.K. to continental Europe, incurring significant shipping and handling costs, the U.K. annually imports approximately 1.9 billion pounds of polyethylene. We believe this provides an opportunity to capitalize on the low-cost operating position and extensive petrochemical infrastructure and logistics at the Wilton site. The announced LDPE facility is planned to have the capacity to produce approximately 900 million pounds of LDPE annually and is estimated to cost approximately $330 million to construct. A grant of approximately $30 million has been awarded by the U.K. government, leaving a cost of $300 million to be borne by us. The facility is expected be operational in late 2007.

Industry Overview

Polymers markets are global commodity markets. Demand for polymers tends to be less susceptible to economic cycles than some of our base petrochemicals, as the products are generally sold into the packaging and consumer markets. Demand for LLDPE, which represents the growth segment of the polyethylene sector, and polypropylene has grown at rates well in excess of GDP growth as these products have replaced other polymers and materials (including wood, paper, glass and aluminum) due to their superior performance characteristics. Our polymers are subject to fluctuations in price as a result of supply and demand imbalances and feedstock price movements.

Competition is based on price, product performance, product quality, product deliverability and customer service. Polymers profitability is affected by the worldwide level of demand for polymers, along with vigorous price competition that may result from, among other things, new domestic and foreign industry capacity. In general, demand is a function of economic growth in the U.S., Europe and elsewhere around the world.

Polypropylene is one of the most versatile and among the fastest growing of the major polymers. Polypropylene is used in a wide variety of applications including toys, housewares, bottle caps, outdoor furniture, utensils and packaging film. Although polypropylene comes in many formulations, there are three basic grades: homopolymers (derived from the polymerization of propylene), random copolymers (derived from the polymerization of propylene and a small amount of ethylene), and impact copolymers (derived by first polymerizing propylene and then adding a small amount of polymerized ethylene). Polypropylene is rising in popularity relative to other higher cost polymers due to its overall product performance and its relatively low cost of production. Different polypropylene formulations are custom manufactured with a variety of characteristics to accommodate end users. These characteristics include high stiffness, dimensional stability, low moisture absorption, good electrical insulation and optical properties and resistance to acids, alkalis and solvents. New applications have accounted for significant growth in the past decade in areas such as polypropylene film and automotive parts for the replacement of heavier, more expensive materials.

Polyethylene represents by sales volume the most widely produced thermoplastic resin in the world. There are two basic grades of polyethylene resin, high density and low density. Within low density, there is a further differentiation between LDPE and LLDPE. LDPE is used in a wide variety of applications, including film packaging, molded furniture, toys, wire and cable insulation. While LLDPE is used in many of the same applications as LDPE, it is also used in caps and closures, stretch and shrink binding films and heavy duty shipping sacks due to its high strength characteristics. According to CMAI, during 2003, 27.1 billion pounds of polyethylene were produced in the U.S. The different grades, annual sales volumes and percentages of resins produced include LDPE, 7.1 billion pounds or 26%; LLDPE, 7.6 billion pounds or 28%; and HDPE, 12.4 billion pounds or 46%. LLDPE and LDPE are used in a wide variety of industrial and consumer applications, the largest of which is the film market. Flexible films are used in food and consumer packaging, medical applications and wrap film. Liner grade (general purpose) polyethylene ordinarily competes principally on the basis of price, while more differentiated polyethylene competes principally on the basis of product quality, performance specifications and, to a lesser extent, price.

EPS serves two primary end markets: the "block" EPS market and the "shape" EPS market. Block EPS is used largely by the construction industry and shape EPS is used largely in packaging applications. Historically, EPS has not been traded as an international commodity. As a result, we believe EPS prices have generally been significantly less volatile than those of other petrochemicals. Producers typically maintain strong links to the approximate 400 domestic molders, leading to product differentiation and customization for clients. Molders are typically small, privately held companies that rely on strong supplier relationships.

Product	2003 U.S. Market Size (billions of pounds)	Compound Annual Growth Rate (1992-2003)	Markets	Applications
LLDPE	8.5	5.0%	film; injection molding; extrusion coating	film packaging (food and medical), caps and closures, heavy duty shipping sacks
LDPE	5.8	(0.9)%	film; injection molding; extrusion coating	film packaging (food and medical), molded furniture, toys, wire and cable insulation
Polypropylene	13.9	6.1%	injection molding; fibers and filaments; film	toys, house-wares, bottle caps, outdoor furniture, utensils, packaging film, and clothing
EPS	1.0	2.8%	block; shape	construction, packaging

Source: CMAI

Sales and Marketing

Our polymers business markets over 85% of its products through a direct, salaried sales force. Our sales force is organized by product line and by geographic region. We also utilize distributors to market certain of our products to smaller customers. Due to the diversity of products, technologies, and grades, we are able to compete across a broad range of markets without relying upon a few large customers. Approximately 6% of our polymers sales are channeled through two large distributors, which market to many small customers. No one customer constitutes more than 3% of sales.

Manufacturing and Operations

We have the capacity to produce approximately 2.3 billion pounds of polymers at our six plants located in North America and Australia.

Information regarding these facilities is set forth in the following chart:

	Odessa, Texas	Longview, Texas	Marysville, Michigan	Peru, Illinois	Mansonville Quebec,	West Footscray, Australia	Total
	(millions of pounds)						
Ethylene	800						800
Propylene	300						300
LDPE	430						430
LLDPE	270						270
Polypropylene	120	720	185				1,025
APAO	95						95
EPS				185	40	25	250
Styrene						250	250

Our Odessa, Texas olefins plant produces both ethylene and propylene. Ethylene is transferred to LDPE and LLDPE for polymerization, and is also utilized in polypropylene and APAO copolymer production. Ethylene capacity is greater than current polymer capacity. To maximize ethylene production, we produce cryogenic ethylene and sell it via tank car to customers without pipeline access. There are only two significant sellers of liquid ethylene, Sunoco and ourselves. This product is sold at a significant premium to market pricing for pipeline delivered ethylene.

Our Longview, Texas facility is among the newest, most technologically advanced and lowest cost facilities in North America. Incorporating the UNIPOL® gas phase production technology, this facility has the capability to produce a broad range of polypropylene grades. This facility is connected by pipeline to the Mont Belvieu, Texas propylene supply grid and has recently added railcar unloading infrastructure, giving it maximum raw material supply flexibility.

Our Marysville, Michigan facility's technology is ideally suited to produce special grades of co-polymer polypropylene. This technology allows the plant to produce higher value TPOs, which are used extensively in high-value specialty-automotive applications.

Our Peru, Illinois EPS facility is one of the world's largest EPS production facilities, with five reactors. The use of our proprietary one-step EPS production technology keeps production costs at the Peru facility among the lowest in the industry. Our Mansonville, Quebec EPS plant is a smaller plant with three reactors. The EPS is used primarily to produce packaging, which has historically been a premium market.

Our West Footscray, Australia facility, located near Melbourne, is Australia's only producer of styrene and EPS. We also produce phenolic and polyester resins and, in a 50% joint venture with Dow, polystyrene. We also own Australia's largest EPS/EPP molding business, with seven operations around the country.

Raw Materials

Our Odessa, Texas facility has access to numerous sources of NGL feedstocks. We operate a feedstock fractionator which separates ethane from other feedstock streams for use in our olefins unit.

Propylene is the most significant raw material used in the production of polypropylene. At our Longview, Texas and Marysville, Michigan sites we purchase chemical-grade propylene from third parties.

The primary raw material in the production of EPS is styrene. We purchase styrene for our Peru, Illinois and Mansonville, Quebec facilities at market price from unaffiliated third parties.

Competition

In 2003, there were approximately 9 domestic producers of LDPE resins, either as LDPE or as LLDPE. According to CMAI in 2003 these producers had an estimated combined annual rated production capacity of approximately 18 billion pounds. According to CMAI, the five largest domestic producers of both LDPE and LLDPE in 2002 were ExxonMobil, Dow, Equistar, Westlake and ChevronPhillips.

According to CMAI, there are currently 14 U.S. producers of polypropylene, operating 24 plants with approximately 18.3 billion pounds of annual capacity. The largest producer and marketer is ExxonMobil, followed by BP, Basell and Atofina. We are the eighth-largest U.S. producer of polypropylene.

According to CMAI, there are ten producers of EPS in North America, with total annual production capacity of approximately 1.5 billion pounds. We are the second-largest producer of EPS in North America. The other major EPS producers are BASF, NOVA Chemicals, Polioles SA and Styrochem.

Base Chemicals

General

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

Olefins

In the U.S., we produce ethylene and propylene at our Port Arthur and Port Neches, Texas olefins manufacturing facilities. The Port Arthur steam cracker has the capacity to produce approximately 1.4 billion pounds of ethylene and approximately 800 million pounds of propylene per year and has the capability to process both light and heavy feedstock, giving us the opportunity to maximize profitability with an optimal selection of raw materials. The Port Neches facility has the capacity to produce approximately 400 million pounds of ethylene and approximately 400 million pounds of propylene per year and has the capability to process ethane and propane and to recover ethylene and propylene from refinery off-gas. Ethylene production at our Port Neches facility was idled in June 2001 and has been recently restarted, with full production expected in the fourth quarter of 2004. Substantial portions of our ethylene and propylene are used downstream in our Performance Products and Polyurethanes segments.

Our olefins facility at Wilton, U.K. is one of Europe's largest single-site and lowest cost olefins facilities, according to Nexant. Our Wilton facility has the capacity to produce approximately 1.9 billion pounds of ethylene, 880 million pounds of propylene and 225 million pounds of butadiene per year. The Wilton olefins facility benefits from its North Sea location and significant feedstock flexibility, which allows for processing of naphthas, condensates and NGLs. In addition, the facility benefits from extensive underground storage capacity and logistics infrastructure, including pipelines, deepwater jetties and ethylene liquefaction facilities.

We are the fourth-largest U.S. producer of butadiene with annual capacity of approximately 900 million pounds. We sell all the butadiene we produce to several large consumers, including Bayer, Bridgestone/Firestone, Invista and Goodyear, who process it further into products such as synthetic rubber for tires, fiber for nylon carpet and foam for carpet backing. Feedstock for our large U.S. butadiene plant includes all of the crude butadiene produced as a byproduct in our olefins unit and crude butadiene purchased on long-term contracts from other olefin producers. Our U.S. butadiene production facility is located in close proximity to a number of our customers' plant locations, allowing us to connect to these customers by pipelines. Our smaller U.K. facility processes only our byproduct butadiene and ships almost entirely to customers located in the U.K.

Aromatics

We are the second-largest U.S. producer of cyclohexane and have the capacity to produce approximately 630 million pounds of cyclohexane annually at our Port Arthur, Texas facility. Virtually all cyclohexane is converted to other intermediate chemicals used to produce Nylon 6 and Nylon 6,6 synthetic fibers and resins. The nylon fibers are used to manufacture products such as hosiery, upholstery, carpet and tire cord, and the resins are used in engineered plastic applications. The Port

Arthur facility extracts benzene from byproduct streams produced by our olefins facility. We also purchase byproduct streams from neighboring facilities.

We produce aromatics in Europe at our two integrated manufacturing facilities located in Wilton, U.K. and North Tees, U.K. According to Nexant, we are a leading European producer of cyclohexane with 725 million pounds of annual capacity, a leading producer of paraxylene with 800 million pounds of annual capacity and are among Europe's larger producers of benzene with 1,200 million pounds of annual capacity. We use most of the benzene produced by our aromatics operations internally in the production of nitrobenzene for our Polyurethanes business and for the production of cyclohexane. The balance of our European aromatics production is sold to several key customers.

We also have the capacity to produce approximately 160 million gallons of MTBE annually at our Port Neches, Texas facility. In 2003, we produced approximately 100 million gallons of MTBE from the conversion of byproduct isobutylenes that we extracted from our unit and neighboring refineries. MTBE is blended into gasoline as an octane enhancer and as an oxygenate, which reduces carbon monoxide and other harmful motor vehicle emissions. See " Environmental, Health and Safety Matters MTBE Developments."

Industry Overview

Petrochemical markets are global commodity markets. However, the olefins market is subject to some regional price differences due to the more limited inter-regional trade resulting from the high costs of product transportation. The global petrochemicals market is cyclical and is subject to pricing swings due to supply and demand imbalances, feedstock prices (primarily driven by crude oil and natural gas prices) and general economic conditions.

The following table sets forth the global market size, growth rate, uses and end markets for the major olefins and aromatics we produce:

Product	2003 Global Market Size (billions of pounds)	Compound Annual Growth Rate (1992-2003)	Uses	End Markets
Ethylene	212	4.4%	polyethylene, ethylene oxide, polyvinyl chloride, alpha olefins, styrene	packaging materials, plastics, housewares, beverage containers, personal care
Propylene	129	6.2%	polypropylene, propylene oxide, acrylonitrile, isopropanol	clothing fibers, plastics, automotive parts, foams for bedding and furniture
Butadiene	20	3.3%	SBR rubber, polybutadiene, SB latex	automotive, carpet
Benzene	78	4.6%	polyurethanes, polystyrene cyclohexane, cumene, styrene/SBR	appliances, automotive components, detergents, personal care, packaging materials, carpet
Paraxylene	44	9.1%	polyester, PTA	fibers, textiles, beverage containers
Cyclohexane	8.8	2.5%	nylon 6, nylon 6,6	fibers, resins

Source: Nexant

The olefins markets in both North America and Western Europe are supplied by numerous producers, none of whom has a dominant position in terms of its share of production capacity. Major producers include BP, Dow, Equistar, ExxonMobil, Sabic and Shell. According to Nexant, global ethylene consumption in 2003 was 212 billion pounds, representing an average industry operating rate of 86%, and global propylene consumption in 2003 was 129 billion pounds, representing an average industry operating rate of 85%.

The aromatics market, which is primarily composed of cyclohexane, benzene and paraxylene, is characterized by several major producers, including BP, ChevronPhillips, Dow, ExxonMobil and Shell. According to Nexant, the global markets for most aromatics products have recently recovered from the cyclical lows experienced over the last several years as demand has increased due to recent growth in demand for certain derivative products, including polyester fibers and PET packaging resins. Also, new capacity additions have been limited, which has resulted in higher industry operating rates. According to Nexant, the current global industry operating rate for benzene is approximately 81%, while the current global industry operating rates for cyclohexane and paraxylene are 80% and 87%, respectively.

Sales and Marketing

In recent years, our sales and marketing efforts have focused on developing long-term contracts with customers to operate our facilities at maximum rates, while maintaining very low selling expenses and administration costs. In 2003, over 61% and 79% of our primary petrochemicals sales volume in North America and Europe, respectively, was made under contracts of a year or more. In addition, we delivered over 84% and 65% of our petrochemical products volume in North America and Europe, respectively, in 2003 by pipeline. Major aromatics customers include BASF, Bayer, DupontSA, Invista, Rhodia and Solutia. Major olefins customers include BP, Dow, DuPont, EVC, Nova, Shell and Solvay.

In North America, we benefit from our pipeline system that extends over 600 miles, which we use to transport feedstocks and intermediate and finished products. In the U.K., we own or have access to major pipeline systems connecting our plants to our customers. Our finished product pipelines allow us to ship ethylene, propylene and butadiene directly to our customers at very low cost. Addition of new pipeline connections represents a significant barrier to potential competitors. We believe that the wide coverage of our pipeline system, coupled with the proximity of both customers and suppliers, gives us a competitive advantage both in receiving raw materials and in delivering ethylene and propylene to our key customers.

Manufacturing and Operations

The annual production capacities of our olefins and aromatics facilities is set forth below:

	Port Arthur, Texas	Port Neches, Texas	Odessa, Texas(1)	Wilton, U.K.	North Tees, U.K.	Total
	(millions of pounds)					
Ethylene	1,400	400(2)	800	1,900		4,500
Propylene	800	400(2)	300	880		2,380
Butadiene		900		225		1,125
Paraxylene				800		800
Benzene	480				1,200	1,680
Cyclohexane	630				725	1,355
MTBE(3)		160				160

(1) Our Odessa, Texas olefins unit primarily provides raw materials for our Polymers segment. As such, the operations of this unit are accounted for in the Polymers segment. See " Polymers Manufacturing and Operations" and " Polymers Raw Materials."

(2) Our Port Neches, Texas olefins plant was idled in June 2001 and has been recently restarted with full production expected in the fourth quarter of 2004.

(3) Millions of gallons.

Raw Materials

The primary raw materials that we use as feedstocks in our Base Chemicals business are hydrocarbons produced as byproducts of the refining crude oil and natural gas, such as ethane, propane and butane. These materials are actively traded on the spot and futures markets and are readily available from multiple sources. We benefit from our locations in Texas, where we neighbor Mont Belvieu, which is a hub for the distribution of these feedstocks, and in the U.K., where we are able to take advantage of our pipeline system and our proximity to refineries located near the North Sea.

In the U.S., pipelines allow us to transport liquid hydrocarbon feedstocks from Mont Belvieu, Texas to our Port Arthur and Port Neches facilities. We are tied into the extensive industry pipeline grid for receipt of natural gases and NGLs, and have dock and tank facilities for receipt of feedstocks by tanker and barge.

Our North Tees facility, situated on the northeast coast of England, is near a substantial supply of oil, natural gas and chemical feedstocks. Due to our location at North Tees, we have the option to purchase feedstocks from a variety of sources. However, we have elected to procure the majority of our naphtha, condensates and NGLs from local producers as they have been the most economical sources. In order to secure the optimal mix of the required quality and type of feedstock for our petrochemical operations at fully competitive prices, we regularly engage in the purchase and sale of feedstocks.

Competition

The markets in which our base chemicals business operates are highly competitive. Our competitors in the olefins and aromatics business include BP, Dow, Equistar, ExxonMobil, Sabic and Shell. While the market for most of these products is global, prices tend to be set regionally. These industries are characterized by companies that have large market shares in specific regions. The primary factors for competition in this business are price, reliability of supply and customer service. The technology used in these businesses is mature and widely available.

Research and Development

On a historical basis, for the nine months ended September 30, 2004 and the fiscal years 2003, 2002 and 2001, we spent $62.2 million, $65.6 million, $23.8 million, $32.7 million, respectively, on research and development of our products.

We support our business with a major commitment to research and development, technical services and process engineering improvement. Our research and development centers are currently located in Austin, Texas and Everberg, Belgium. Other regional development/technical service centers are located in Odessa, Texas (polymers); Billingham, England (pigments); Auburn Hills, Michigan (polymers and polyurethanes for the automotive industry); West Deptford, New Jersey, Derry, New Hampshire, Shanghai, China, Deggendorf, Germany and Ternate, Italy (polyurethanes); Ascot Vale, Australia (surfactants) and Port Neches, Texas and Wilton, U.K. for process engineering support. We have announced that we intend to close our Austin facility in mid-2005 and our West Deptford facility in late 2005. We intend to relocate the research and development capabilities of these two facilities to a new research and development center in The Woodlands, Texas that we expect to open in 2005.

We have leading technology positions, which contribute to our status as a low cost producer. Coordinated research, engineering and manufacturing activities across production and research and development locations facilitate these low cost positions.

Intellectual Property Rights

Proprietary protection of our processes, apparatuses, and other technology and inventions is important to our businesses. We own approximately 733 unexpired U.S. patents, approximately 181 patent applications (including provisionals) currently pending at the U.S. Patent and Trademark Office, and approximately 3,999 foreign counterparts, including both issued patents and pending patent applications. While a presumption of validity exists with respect to issued U.S. patents, we cannot assure that any of our patents will not be challenged, invalidated, circumvented or rendered unenforceable. Furthermore, we cannot assure the issuance of any pending patent application, or that if patents do issue, that these patents will provide meaningful protection against competitors or against competitive technologies. Additionally, our competitors or other third parties may obtain patents that restrict or preclude our ability to lawfully produce or sell our products in a competitive manner.

We also rely upon unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain our competitive position. There can be no assurance, however, that confidentiality agreements into which we enter and have entered will not be breached, that they will provide meaningful protection for our trade secrets or proprietary know-how, or that adequate remedies will be available in the event of an unauthorized use or disclosure of such trade secrets and know-how. In addition, there can be no assurance that others will not obtain knowledge of these trade secrets through independent development or other access by legal means.

In addition to our own patents and patent applications and proprietary trade secrets and know-how, we are a party to certain licensing arrangements and other agreements authorizing us to use trade secrets, know-how and related technology and/or operate within the scope of certain patents owned by other entities. We also have licensed or sub-licensed intellectual property rights to third parties.

We have associated brand names with a number of our products, and own approximately 110 U.S. trademark registrations, approximately 30 applications for registration currently pending at the U.S. Patent and Trademark Office, and approximately 4,331 foreign counterparts, including both registrations and applications for registration. However, there can be no assurance that the trademark registrations will provide meaningful protection against the use of similar trademarks by competitors, or that the value of our trademarks will not be diluted.

Employees

As of September 30, 2004, we employed approximately 11,600 people in our operations around the world. Approximately 3,200 of these employees are located in the U.S., while approximately 8,400 are located in foreign countries. We are a party to collective bargaining agreements which cover an aggregate of approximately 5,400 employees, approximately 900 of whom are located in the U.S. and approximately 4,500 of whom are located in foreign countries. We believe our relations with our employees are good.

Properties

We own or lease chemical manufacturing and research facilities in the locations indicated in the list below which we currently believe are adequate for our short-term and anticipated long-term needs. We own or lease office space and storage facilities throughout the U.S. and many foreign countries. Our principal executive offices are located at 500 Huntsman Way, Salt Lake City, Utah 84108. The following is a list of our material owned or leased properties where manufacturing, research and main office facilities are located.

Principal Facilities

The following table sets forth information regarding our principal facilities.

Location	Business Segment	Description of Facility
Salt Lake City, Utah		Executive Offices
The Woodlands, Texas(1)		Operating Headquarters
Geismar, Louisiana(2)	Polyurethanes	MDI, TDI, Nitrobenzene(7), Aniline(7) and Polyols Manufacturing Facilities and Polyurethanes Systems House
Rozenburg, Netherlands(1)	Polyurethanes	MDI Manufacturing Facility, Polyols Manufacturing Facilities and Polyurethanes Systems House
West Deptford, New Jersey(3)	Polyurethanes	Polyurethane Systems House and Research Facility
Auburn Hills, Michigan(1)	Polyurethanes	Polyurethane Research Facility
Deerpark, Australia	Polyurethanes	Polyurethane Systems House
Cartagena, Colombia	Polyurethanes	Polyurethane Systems House
Deggendorf, Germany	Polyurethanes	Polyurethane Systems House
Ternate, Italy	Polyurethanes	Polyurethane Systems House
Shanghai, China(1)	Polyurethanes	Polyurethane Systems House
Thane (Maharashtra), India(1)	Polyurethanes	Polyurethane Systems House
Samuprakam, Thailand(1)	Polyurethanes	Polyurethane Systems House
Kuan Yin, Taiwan(1)	Polyurethanes	Polyurethane Systems House
Tlalnepantla, Mexico	Polyurethanes	Polyurethane Systems House
Mississauga, Ontario(1)	Polyurethanes	Polyurethane Systems House
Everberg, Belgium	Polyurethanes	Polyurethane Research Facility
Gateway West, Singapore(1)	Polyurethanes	Polyurethane Commercial Center
Derry, New Hampshire(1)	Polyurethanes	TPU Research Facility
Ringwood, Illinois(1)	Polyurethanes	TPU Manufacturing Facility
Osnabrück, Germany	Polyurethanes	TPU Manufacturing Facility
Port Neches, Texas(4)	Polyurethanes, Performance Products and Base Chemicals	Olefins, Aromatics, EO, EG, Amines and PO Manufacturing Facilities
Wilton, U.K.	Polyurethanes and Base Chemicals	Olefins and Aromatics Manufacturing Facilities and Aniline and Nitrobenzene Manufacturing Facilities
Bergkamen, Germany(5)	Advanced Materials	Synthesis Facility
Monthey, Switzerland	Advanced Materials	Resins and Synthesis Facility
Pamplona, Spain	Advanced Materials	Resins and Synthesis Facility
McIntosh, Alabama	Advanced Materials	Resins and Synthesis Facility
Chennai, India(6)	Advanced Materials	Resins and Synthesis Facility
Bad Saeckingen, Germany(1)	Advanced Materials	Formulating Facility
Duxford, U.K.	Advanced Materials	Formulating Facility
Sadat City, Egypt	Advanced Materials	Formulating Facility
Taboão da Serra, Brazil	Advanced Materials	Formulating Facility
Kaohsiung, Taiwan	Advanced Materials	Formulating Facility
Panyu, China(1)(7)	Advanced Materials	Formulating Facility
Thomastown, Australia(8)	Advanced Materials	Formulating Facility
East Lansing, Michigan	Advanced Materials	Formulating Facility
Istanbul, Turkey(1)	Advanced Materials	Formulating Facility
Los Angeles, California	Advanced Materials	Formulating Facility
Austin, Texas(9)	Performance Products	Research Facility
Conroe, Texas	Performance Products	Amines Manufacturing Facility
Dayton, Texas	Performance Products	Surfactant Manufacturing Facility
Chocolate Bayou, Texas(1)(10)	Performance Products	LAB Manufacturing Facility
Pensacola, Florida(1)(10)	Performance Products	Maleic anhydride Manufacturing Facility
St. Louis, Missouri(1)(10)	Performance Products	Maleic anhydride Processing Facility
Petfurdo, Hungary	Performance Products	Amines Manufacturing Facility
Botany, Australia	Performance Products	Surfactant Manufacturing Facility

Location	Business Segment	Description of Facility
Llanelli, U.K.	Performance Products	Amines Manufacturing Facility
Guelph, Ontario[11]	Performance Products	Surfactant Manufacturing Facility
St. Mihiel, France	Performance Products	Surfactant Manufacturing Facility
Lavera, France	Performance Products	Surfactant Manufacturing Facility

Castiglione, Italy	Performance Products	Surfactant Manufacturing Facility
Patrica/Frosinane, Italy	Performance Products	Surfactant Manufacturing Facility
Barcelona, Spain	Performance Products	Surfactant Manufacturing Facility
Whitehaven, U.K.[12]	Performance Products	Surfactant Manufacturing Facility
Freeport, Texas[1]	Performance Products	Amines Manufacturing Facility
Greatham, U.K.	Pigments	Titanium Dioxide Manufacturing Facility
Grimsby, U.K.	Pigments	Titanium Dioxide Manufacturing Facility
Calais, France	Pigments	Titanium Dioxide Manufacturing Facility
Huelva, Spain	Pigments	Titanium Dioxide Manufacturing Facility
Scarlino, Italy	Pigments	Titanium Dioxide Manufacturing Facility
Teluk Kalung, Malaysia	Pigments	Titanium Dioxide Manufacturing Facility
Lake Charles, Louisiana[13]	Pigments	Titanium Dioxide Manufacturing Facility
Umbogintwini, South Africa	Pigments	Titanium Dioxide Manufacturing Facility
Billingham, U.K.	Pigments	Titanium Dioxide Research and Technical Facility
Warrenville, Illinois[1]	Pigments	Titanium Dioxide North American Technical and Commercial Center
Peru, Illinois	Polymers	EPS Manufacturing Facility
Marysville, Michigan	Polymers	Polypropylene Manufacturing Facility
Longview, Texas[1]	Polymers	Polypropylene Manufacturing Facility
Odessa, Texas	Polymers	Polyethylene Manufacturing Facility
Mansonville, Quebec	Polymers	EPS Manufacturing Facility
West Footscray, Australia	Polymers	Polymers Manufacturing Facility
Port Arthur, Texas	Base Chemicals	Olefins and Aromatics Manufacturing Facility
Sour Lake, Texas	Base Chemicals	Various finished raw materials pipelines and storage facilities
North Tees, U.K.[1]	Base Chemicals	Aromatics Manufacturing Facility and Logistics & Storage Assets

(1) Leased land and/or building.

(2) The Geismar facility is owned as follows: we own 100% of the MDI, TDI and polyol facilities, and Rubicon LLC, a manufacturing joint venture with Crompton Corporation in which we own a 50% interest, owns the aniline and nitrobenzene facilities. Rubicon LLC is a separate legal entity that operates both the assets that we own jointly with Crompton Corporation and our wholly-owned assets at Geismar.

(3) We intend to close this facility in late 2005.

(4) The Port Neches ethylene plant has been idle since 2001 and has been recently re-started, with full production expected in the fourth quarter of 2004.

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

(6) 76%-owned manufacturing joint venture with Tamilnadu Petroproducts Limited.

(7) 95%-owned manufacturing joint venture with Guangdong Panyu Shilou Town Economic Development Co. Ltd.

(8) We intend to close this facility in 2005.

(9) We intend to close this facility in mid-2005. We will relocate the operations to a new facility in The Woodlands, Texas. Please see " Research and Development."

(10) These plants are operated by Solutia under long-term operating agreements. Solutia and certain of its affiliates have filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. We expect that Solutia will continue to operate these plants, although no assurance can be given at this time. During the course of the bankruptcy proceeding, it is possible that Solutia may reject

any of the agreements under which it operates the plants. It is also possible that Solutia's reorganization under Chapter 11 may fail and that it would proceed to a liquidation under Chapter 7. If Solutia were to discontinue operation of any of these plants, it may be difficult to arrange for uninterrupted operation. We intend to close our St. Louis facility in the third quarter of 2005 and we recently received the approval of the bankruptcy court to do so.

(11) We intend to close this facility in the second half of 2005.

(12) We intend to substantially reduce our operations at this site.

(13) 50%-owned manufacturing joint venture with Kronos Louisiana, Inc., a subsidiary of Kronos Worldwide, Inc.

Environmental, Health and Safety Matters

General

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

Environmental, Health and Safety Systems

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

EHS Capital Expenditures

We may incur future costs for capital improvements and general compliance under EHS laws, including costs to acquire, maintain and repair pollution control equipment. For the nine months ended September 30, 2004, our capital expenditures for EHS matters totaled $36.9 million. Since capital expenditures for these matters are subject to evolving regulatory requirements and depend, in part, on the timing, promulgation and enforcement of specific requirements, we cannot provide assurance that our recent expenditures will be indicative of future amounts required under EHS laws.

Governmental Enforcement Proceedings

On occasion, we receive notices of violation, enforcement and other complaints from regulatory agencies alleging non-compliance with applicable EHS law. By way of example, we are aware of the individual matters set out below, which we believe to be the most significant presently pending matters. Although we may incur costs or penalties in connection with the governmental proceedings discussed below, based on currently available information and our past experience, we believe that the ultimate resolution of these matters will not have a material impact on our results of operations or financial position.

In May 2003, the State of Texas settled an air enforcement case with us relating to our Port Arthur plant. Under the settlement, we are required to pay a civil penalty of $7.5 million over more than four years, undertake environmental monitoring projects totaling about $1.5 million in costs, and pay $375,000 in attorney's fees to the Texas Attorney General. As of September 30, 2004, we have paid $1.8 million toward the penalty and $375,000 for the attorney's fees. The monitoring projects are underway and on schedule. We do not anticipate that this settlement will have a material adverse effect on our results of operations or financial position.

In the third quarter of 2004, our Jefferson County, Texas facilities received notification from the Texas Commission on Environmental Quality ("TCEQ") of potential air emission violations relating to the operation of cooling towers at two of our plants, alleged nuisance odors, and alleged upset air emissions. We have investigated the allegations and responded in writing to TCEQ. TCEQ has proposed a penalty of $9,300 for the alleged nuisance odor violations, $174,219 for the alleged upset violations and $83,250 for the alleged cooling tower violations. Negotiations are anticipated between us and TCEQ with respect to the resolution of these alleged violations. We do not believe that the final cost to resolve these matters will be material.

Our subsidiary Huntsman Advanced Materials (U.K.) Ltd is scheduled to appear in Magistrates Court in the U.K. in November 2004 to answer five charges following an investigation by the U.K. Health and Safety Executive. The charges arise from alleged asbestos contamination caused by construction activity at the Duxford, U.K. Advanced Materials facility between November 2002 and January 2003. We believe that some or all of the alleged violations arise from conduct by a third party contractor occurring before we assumed responsibility for the Duxford facility. Although we do not believe this matter will result in the imposition of costs material to our results of operations or financial position, it is too early to predict the outcome of the case.

See " Legal Proceedings" for a discussion of environmental lawsuits brought by private party plaintiffs.

Remediation Liabilities

We have incurred, and we may in the future incur, liability to investigate and clean up waste or contamination at our current or former facilities or facilities operated by third parties at which we may have disposed of waste or other materials. Similarly, we may incur costs for the cleanup of wastes that were disposed of prior to the purchase of our businesses. Under some circumstances, the scope of our liability may extend to damages to natural resources. Specifically, under the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), and similar state laws, a current or former owner or operator of real property may be liable for remediation costs regardless of whether the release or disposal of hazardous substances was in compliance with law at the time it occurred, and a current owner or operator may be liable regardless of whether it owned or operated the facility at the time of the release. In addition, under the U.S. Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), and similar state laws, we may be required to remediate contamination originating from our properties as a condition to our hazardous waste permit. For example, our Odessa, Port Arthur, and Port Neches facilities in Texas are the subject of ongoing remediation requirements under RCRA authority. In many cases, our potential liability arising from historical contamination is based on operations and other events occurring prior to our ownership of the relevant facility. In these situations, we frequently obtained an indemnity agreement from the prior owner addressing remediation liabilities arising from pre-closing conditions. We have successfully exercised our rights under these contractual covenants for a number of sites, and where applicable, mitigated our ultimate remediation liability. We cannot assure you, however, that all of such matters will be subject to indemnity or that our existing indemnities will be sufficient to cover our liabilities for such matters.

We have established financial reserves relating to anticipated environmental restoration and remediation programs. Liabilities are recorded when potential liabilities are either known or considered probable and can be reasonably estimated. Our liability estimates are based upon available facts, existing technology and past experience. A total of approximately $37 million has been accrued for environmental-related liabilities as of September 30, 2004. We believe these reserves are sufficient for known requirements relating to these matters. However, no assurance can be given that all potential liabilities arising out of our present or past operations or ownership have been identified or fully assessed or that future environmental liabilities will not be material to us.

We have been notified by third parties of claims against us or our subsidiaries for cleanup liabilities at approximately 11 former facilities and other third party sites, including but not limited to sites listed under CERCLA. The North Maybe Canyon CERCLA site includes an abandoned phosphorous mining site located near Soda Springs, Idaho in a U.S. National Forest that may have been operated by one of our predecessors for approximately two years. With respect to this site, for which we received a notice of potential liability in February 2004, we are unable to determine whether the alleged liabilities may be material to us because we do not have information sufficient to evaluate this claim. Based on current information and past experience at other CERCLA sites, however, we do not expect any of these third-party claims to result in material liability to us.

Regulatory Developments

Under the European Union ("EU") Integrated Pollution Prevention and Control Directive ("IPPC"), EU member governments are to adopt rules and implement a cross media (air, water and waste) environmental permitting program for individual facilities. While the EU countries are at varying stages in their respective implementation of the IPPC permit program, we have submitted all necessary IPPC permit applications required to date, and in some cases received completed permits from the applicable government agency. We expect to submit all other IPPC applications and related documents on a timely basis as the various countries implement the IPPC permit program. Although we do not know with certainty what each IPPC permit will require, we believe, based upon our experience with the permits received to date, that the costs of compliance with the IPPC permit program will not be material to our results of operations or financial position.

In October 2003, the European Commission adopted a proposal for a new EU regulatory framework for chemicals. Under this proposed new system called "REACH" (Registration, Evaluation and Authorization of Chemicals), companies that manufacture or import more than one ton of a chemical substance per year would be required to register such manufacture or import in a central database. The REACH initiative, as proposed, would require risk assessment of chemicals, preparations (e.g., soaps and paints) and articles (e.g., consumer products) before those materials could be manufactured or imported into EU countries. Where warranted by a risk assessment, hazardous substances would require authorizations for their use. This regulation could impose risk control strategies that would require capital expenditures by us. As proposed, REACH would take effect in three primary stages over the eleven years following the final effective date (assuming final approval). The impacts of REACH on the chemical industry and on us are unclear at this time because the parameters of the program are still being actively debated.

MTBE Developments

The use of MTBE is controversial in the U.S. and elsewhere and may be substantially curtailed or eliminated in the future by legislation or regulatory action. The presence of MTBE in some groundwater supplies in California and other states (primarily due to gasoline leaking from underground storage tanks) and in surface water (primarily from recreational watercraft) has led to public concern about MTBE's potential to contaminate drinking water supplies. Heightened public awareness regarding this issue has resulted in state, federal and foreign initiatives to rescind the federal oxygenate requirements for reformulated gasoline or restrict or prohibit the use of MTBE in particular. For example, California, New York and Connecticut have adopted rules that prohibit the use of MTBE in gasoline sold in those states as of January 1, 2004. Overall, states that have taken some action to prohibit or restrict the use of MTBE in gasoline account for a substantial portion of the "pre-ban" U.S. MTBE market. Thus far, attempts by others to challenge these state bans in federal court under the reformulated gasoline provisions of the federal Clean Air Act have been unsuccessful.

The U.S. Congress has been considering legislation that would eliminate the oxygenated fuels requirements in the Clean Air Act and phase out or curtail MTBE use over a period of several years.

To date, no such legislation has become law. If it were to become law it could result in a federal phase-out of the use of MTBE in gasoline in the U.S., but it would not prevent us from manufacturing MTBE in our plants. In addition, in March 2000, the EPA announced its intention, through an advanced notice of proposed rulemaking, to phase out the use of MTBE under authority of the federal Toxic Substances Control Act. EPA has not yet acted on this proposal, however. In Europe, the EU issued a final risk assessment report on MTBE in September 2002. No ban of MTBE was recommended, though several risk reduction measures relating to storage and handling of MTBE-containing fuel were recommended.

We currently market approximately 95% of our MTBE to customers located in the U.S. for use as a gasoline additive. Any phase-out or other future regulation of MTBE in other jurisdictions, nationally or internationally, may result in a significant reduction in demand for our MTBE and result in a material loss in revenues or material costs or expenditures. In the event that there should be a complete phase-out of MTBE in the U.S., we believe we will be able to export MTBE to Europe, Asia or South America, although this may produce a lower level of cash flow than the sale of MTBE in the U.S. We may also elect to use all or a portion of our precursor TBA to produce saleable products other than MTBE. If we opt to produce products other than MTBE, necessary modifications to our facilities may require significant capital expenditures and the sale of the other products may produce a materially lower level of cash flow than the sale of MTBE.

In addition to the use limitations described above, a number of lawsuits have been filed, primarily against gasoline manufacturers, marketers and distributors, by persons seeking to recover damages allegedly arising from the presence of MTBE in groundwater. While we have not been named as a defendant in any litigation concerning the environmental effects of MTBE, we cannot provide assurances that we will not be involved in any such litigation or that such litigation will not have a material adverse effect on our results of operations or financial position.

Legal Proceedings

We have settled certain Discoloration Claims during and prior to the second quarter of 2004 relating to discoloration of unplasticized polyvinyl chloride products allegedly caused by our titanium dioxide. Substantially all of the titanium dioxide that was the subject of these claims was manufactured prior to our acquisition of our titanium dioxide business from ICI in 1999. Net of amounts we have received from insurers and pursuant to contracts of indemnity, we have paid approximately £8 million ($14.9 million) in costs and settlement amounts for Discoloration Claims.

Certain insurers have denied coverage with respect to certain Discoloration Claims. We brought suit against these insurers to recover the amounts we believe are due to us. The court found in favor of the insurers, and we lodged an application for leave to appeal that decision. Qualified leave to appeal was granted in November 2004. We are considering whether to make a further application to have the qualification removed. We do not expect the appeal to be heard before the end of the first quarter of 2005.

During the second quarter of 2004, we recorded a charge in the amount of $14.9 million with respect to Discoloration Claims. We expect that we will incur additional costs with respect to Discoloration Claims, potentially including additional settlement amounts. However, we do not believe that we have material ongoing exposure for additional Discoloration Claims, after giving effect to our rights under contracts of indemnity, including the rights of indemnity we have against ICI. Nevertheless, we can provide no assurance that our costs with respect to Discoloration Claims will not have a material adverse impact on our financial condition or results of operations.

Vantico concluded that certain of the products of its former Electronics division may have infringed patents owned by Taiyo and it entered into a license agreement with Taiyo to obtain the right to use the Taiyo patents. This license agreement required payment of back royalties and agreement to pay periodic royalties for future use. We believe that Ciba Specialty Chemicals Holdings Inc. ("Ciba") is liable under the indemnity provisions of certain agreements in connection with the leveraged buy out transaction in 2000 involving Ciba and Vantico for certain payments made under the license agreement and related costs and expenses, and we initiated an arbitration proceeding against Ciba. In July 2004, we entered into a settlement agreement with Ciba with respect to this matter. In general, the settlement agreement provided that Ciba would pay us $10.9 million in 2004 and provide us with approximately $11 million of credits over the next five years against payments for certain services provided by Ciba at one of our Advanced Materials facilities. We received additional consideration in the form of modifications to certain agreements between our Advanced Materials business and Ciba. In August 2004, we received payment of the $10.9 million settlement. To date, we have incurred approximately $2.1 million in costs in connection with the arbitration proceedings against Ciba.

We are a party to various lawsuits brought by persons alleging personal injuries and/or property damage based upon alleged exposure to toxic substances. For example, since June 2003, a number of lawsuits have been filed in state district court in Jefferson County, Texas against several local chemical plants and refineries, including our subsidiary Huntsman Petrochemical Corporation. Generally, these lawsuits allege that the refineries and chemical plants located in the vicinity of the plaintiffs' homes discharged chemicals into the air that interfere with use and enjoyment of property and cause health problems and/or property damages. Because these cases are still in the initial stages, we do not have sufficient information at the present time to estimate any liability to us.

In addition, we have been named as a "premises defendant" in a number of asbestos exposure lawsuits. Where the alleged exposure occurred prior to our ownership or operation of the relevant "premises," we generally have indemnity protection from the prior owner or operator. These suits often involve multiple plaintiffs and multiple defendants, and, generally, the complaint in the action does not indicate which plaintiffs are making claims against a specific defendant, where or how the alleged injuries occurred, or what injuries each plaintiff claims. These facts must be learned through discovery. Among the cases currently pending against us for which a prior owner has not accepted defense under our indemnity agreements, we are aware of three claims of mesothelioma. We do not have sufficient information at the present time to estimate any liability in these cases. Based on our past history of settlements and experience in these types of cases, we believe, although we cannot assure you, that our ultimate liability in these cases will not have a material adverse effect on our results of operations or financial position.

We are a party to various other proceedings instituted by private plaintiffs, governmental authorities and others arising under provisions of applicable laws, including various environmental, products liability and other laws. Except as otherwise disclosed in this prospectus, and based in part on the indemnities provided to us in connection with the transfer of businesses to us and our insurance coverage, we do not believe that the outcome of any of these matters will have a material adverse effect on our financial condition or results of operations. See " Environmental Regulation" above for a discussion of environmental proceedings.

MANAGEMENT

Directors and Executive Officers and Other Key Officers

The current members of our board of directors and our current executive officers are listed below. Our directors will serve staggered three-year terms and our executive officers serve at the pleasure of our board of directors.

Name	Age	Position
Jon M. Huntsman*	67	Chairman of the Board and Director
Peter R. Huntsman*	41	President, Chief Executive Officer and Director
J. Kimo Esplin	42	Executive Vice President and Chief Financial Officer
Samuel D. Scruggs	45	Executive Vice President, General Counsel and Secretary
Anthony P. Hankins	46	Division President, Polyurethanes
Paul G. Hulme	48	Division President, Advanced Materials
Thomas J. Keenan	52	Division President, Pigments
Kevin J. Ninow	41	Division President, Base Chemicals and Polymers
Donald J. Stanutz	54	Division President, Performance Products
Michael J. Kern	55	Senior Vice President, Environmental, Health & Safety and Chief Information Officer
Brian V. Ridd	46	Senior Vice President, Purchasing
L. Russell Healy	49	Vice President and Controller
David J. Matlin	43	Director
Richard Michaelson	52	Director, Chairman of the Audit Committee
Christopher Pechock	40	Director

* Jon M. Huntsman is the father of Peter R. Huntsman.

Our other key officers are listed below.

Name	Age	Position
Don H. Olsen	58	Senior Vice President, Global Public Affairs
Martin Casey	56	Vice President, Strategic Planning
Sean Douglas	40	Vice President and Treasurer
Kevin C. Hardman	40	Vice President, Tax
John R. Heskett	35	Vice President, Corporate Development and Investor Relations
James R. Moore	60	Vice President and Deputy General Counsel
R. Wade Rogers	39	Vice President, Global Human Resources

Jon M. Huntsman is Chairman of the Board of Directors of our company and has held this position since our company was formed. He has been Chairman of the Board of all Huntsman companies since he founded his first plastics company in 1970. Mr. Huntsman served as Chief Executive Officer of our company and our affiliated companies from 1970 to 2000. In addition, Mr. Huntsman serves or has served as Chairman or as a member of numerous corporate, philanthropic and industry boards, including the American Red Cross, The Wharton School, University of Pennsylvania, Primary Children's Medical Center Foundation, the Chemical Manufacturers Association and the American Plastics Council. Mr. Huntsman was selected in 1994 as the chemical industry's top CEO for all businesses in Europe and North America. Mr. Huntsman formerly served as Special Assistant to the President of the United States and as Vice Chairman of the U.S. Chamber of Commerce. He is the Chairman and Founder of the Huntsman Cancer Institute.

Peter R. Huntsman is President, Chief Executive Officer and a Director of our company. Prior to his appointment in July 2000 as Chief Executive Officer, Mr. Huntsman had served as President and Chief Operating Officer since 1994. In 1987, Mr. Huntsman joined Huntsman Polypropylene Corporation as Vice President before serving as Senior Vice President and General Manager. Mr. Huntsman has also served as President of Olympus Oil, as Senior Vice President of Huntsman Chemical Corporation and as a Senior Vice President of Huntsman Packaging Corporation, a former subsidiary of our company. Mr. Huntsman is a director or manager, as applicable, of HMP, HLLC, HIH, HI and certain of our other subsidiaries.

J. Kimo Esplin is Executive Vice President and Chief Financial Officer. Mr. Esplin has served as chief financial officer of all of the Huntsman companies since 1999. From 1994 to 1999, Mr. Esplin served as our Treasurer. Prior to joining Huntsman in 1994, Mr. Esplin was a Vice President in the Investment Banking Division of Bankers Trust Company, where he worked for seven years. Mr. Esplin also serves as a director of Nutraceutical International Corporation, a publicly traded nutrition supplements company.

Samuel D. Scruggs is Executive Vice President, General Counsel and Secretary. Mr. Scruggs served as Vice President and Treasurer from 1999 to 2002 and as Vice President and Associate General Counsel from 1999 to 2000. Prior to joining Huntsman in 1995, Mr. Scruggs was an associate with the law firm of Skadden, Arps, Slate, Meagher & Flom LLP.

Anthony P. Hankins is Division President, Polyurethanes. Mr. Hankins was appointed to this position in March 2004. From May 2003 to February 2004, Mr. Hankins served as President, Performance Products. Prior to May 2003, Mr. Hankins served as Global Vice President, Rigids Division for our polyurethanes business. Mr. Hankins worked for ICI from 1980 to 1999, when he joined our company. At ICI, Mr. Hankins held numerous management positions in the plastics, fibers and polyurethanes businesses. He has extensive international experience, having held senior management positions in Europe, Asia and the U.S.

Paul G. Hulme is Division President, Advanced Materials, and has served in that role or as Senior Vice President and General Manager of Advanced Materials since June 2003. From 2001 to June 2003, Mr. Hulme has served as Vice President, Performance Chemicals. Prior to joining Huntsman in 1999, Mr. Hulme held various positions with ICI in finance, accounting and information systems roles. Mr. Hulme is a Chartered Accountant.

Thomas J. Keenan is Division President, Pigments. Mr. Keenan serves or has served in many executive positions with the Huntsman affiliated companies, including President, North American Petrochemicals and Polymers, Senior Vice President of Huntsman Chemical Company LLC and Huntsman Polymers Corporation. Prior to joining Huntsman in 1994, Mr. Keenan was Vice President and General Manager, Olefins and Polyolefins for Mobil Chemical Company, where he worked for more than sixteen years.

Kevin J. Ninow is Division President, Base Chemicals and Polymers. Since joining Huntsman in 1997, Mr. Ninow has served in a variety of executive, manufacturing and engineering positions in our Company and its subsidiaries, including Senior Vice President, Base Chemicals Manufacturing, Vice President European Petrochemicals, Vice President International Manufacturing, Plant Manager Oxides and Olefins, Plant Manager C4's, Operations Manager C4's, Manager of Technology, Process Control Group Leader, and Project Engineer.

Donald J. Stanutz is Division President, Performance Products. Mr. Stanutz was appointed to this position in March 2004. Mr. Stanutz previously served as Executive Vice President and Chief Operating Officer of HLLC and as Executive Vice President, Global Sales and Marketing and has held several positions with Huntsman that have included the overall management for our performance chemicals business, our specialty polymers business and our olefins, oxides and glycols business. Prior to joining Huntsman in 1994, Mr. Stanutz served in a variety of senior positions with Texaco Chemical Company.

Michael J. Kern is Senior Vice President Environmental, Health & Safety, and Chief Information Officer. Mr. Kern has held this position since December 2003. Mr. Kern has served in several senior management positions of our company, including Senior Vice President Environmental, Health & Safety from July 2001 to December 2003 and Senior Vice President, Manufacturing from December 1995 to July 2001. Prior to joining Huntsman, Mr. Kern held a variety of positions within Texaco Chemical Company, including Area Manager Jefferson County Operations from April 1993 until joining our company, Plant Manager of the Port Neches facility from August 1992 to March 1993, Manager of the PO/MTBE project from October 1989 to July 1992, and Manager of Oxides and Olefins from April 1988 to September 1989.

Brian V. Ridd is Senior Vice President, Purchasing. Mr. Ridd has held this position since 2002. Since joining Huntsman in 1984, Mr. Ridd has served as an officer of many of our subsidiaries, including Vice President of Olympus Oil and Vice President, Purchasing of Huntsman Petrochemical Corporation and Huntsman Chemical Corporation.

L. Russell Healy is Vice President and Controller. Mr. Healy is also Vice President and Controller of HLLC, HIH, HI and Advanced Materials and has served in these capacities since April 2004. In addition, Mr. Healy serves as an officer or director of several of the other Huntsman subsidiaries. Prior to his current role, Mr. Healy served as Vice President, Finance and Risk Management for all of the Huntsman companies. Previously, Mr. Healy also served as Senior Vice President and Finance Director for HIH and HI, and as Vice President, Finance and Vice President, Tax for HLLC. Prior to joining Huntsman in 1995, Mr. Healy was a partner with the accounting firm of Deloitte & Touche, LLP. Mr. Healy is a Certified Public Accountant and holds a master's degree in accounting.

David J. Matlin is a Director. Mr. Matlin also serves as the CEO and Global Portfolio Manager of MatlinPatterson Global Advisors LLC and is the regional trading head for the Americas. Prior to the formation of MatlinPatterson in 2002, Mr. Matlin was responsible for all the activities of the Credit Suisse First Boston Distressed Group since its formation in 1994, managing a global portfolio of distressed assets valued in excess of $2.0 billion as of December 31, 1999. Prior to Credit Suisse First Boston, Mr. Matlin was Managing Director of distressed securities and co-founder of Merrion Group, L.P., a successor to Scully Brothers & Foss L.P. from 1988 to 1994. From 1986 to 1988, he was a securities analyst at Halcyon Investments. Mr. Matlin is a director or manager, as applicable, of HMP, HLLC, HIH and certain of our other subsidiaries.

Richard Michaelson is a Director and Chairman of the Audit Committee. Mr. Michaelson is the Chief Financial Officer and Secretary of Life Sciences Research Inc, a contract research organization providing global outsourcing services to the pharmaceutical industry. Prior to his joining LSR in 1998, he was a partner in Focused Healthcare Partners, a healthcare investment company. Mr. Michaelson was the Chief Financial Officer of Unilab Corporation, California's largest provider of clinical laboratory services, from 1993 to 1997, and held a succession of senior management positions at MetPath (now Quest Diagnostics) between 1982 and 1993. Mr. Michaelson was a financial analyst at IBM from 1979 to 1982. Mr. Michaelson is a director or manager, as applicable, of HMP, HLLC, HIH and certain of our other subsidiaries.

Christopher Pechock is a Director. Mr. Pechock has served as an officer of MatlinPatterson Global Advisors LLC since July 2002. Mr. Pechock has been active in the distressed securities markets for 14 years. Prior to July 2002, Mr. Pechock was a member of Credit Suisse First Boston's Distressed Group which he joined in 1999. Before joining Credit Suisse First Boston, Mr. Pechock was a Portfolio Manager and Research Analyst in distressed securities at Turnberry Capital Management, L.P. from 1997 to 1999, a Portfolio Manager in distressed securities and special situations at Eos Partners, L.P. from 1996 to 1997, a Vice President and high yield analyst at PaineWebber Inc. from 1993 to 1996 and an analyst in risk arbitrage at Wertheim Schroder & Co., Incorporated from 1987 to 1991. Mr. Pechock is a director or manager, as applicable, of HMP, HLLC, HIH and certain of our other subsidiaries.

Don H. Olsen is Senior Vice President, Global Public Affairs. Mr. Olsen also serves as an officer or director of many of Huntsman's affiliated companies. Prior to joining Huntsman in 1988, Mr. Olsen had a 17-year career in broadcast journalism. He also spent three years in Washington, D.C. as Director of Communications for former U.S. Senator Jake Garn.

Martin Casey is Vice President, Strategic Planning. Dr. Casey has held this position since August 2004. Dr. Casey has previously been responsible for planning and business development in Huntsman's Polyurethanes Business, acquired from ICI in 1999. From 1995 to 1999 he was New Business Development Manager for ICI polyurethanes, before which he was Business Manager for ICI's acrylic sheet business and held a variety of earlier positions in technical and business management roles.

Sean Douglas is Vice President and Treasurer of the company. Since joining our company in 1990, he has served in a number of roles, including Vice President Administration and Assistant Treasurer of our company, Vice President of various affiliated companies, Controller of an affiliated company and as a financial analyst for Huntsman's European businesses. Mr. Douglas is a Certified Public Accountant and, prior to joining Huntsman, worked for the accounting firm of Price Waterhouse.

Kevin C. Hardman is Vice President, Tax. Mr. Hardman served as Chief Tax Officer from 1999 until he was appointed to his current position in 2002. Mr. Hardman is also Vice President, Tax of HLLC. Prior to joining Huntsman in 1999, Mr. Hardman was a tax Senior Manager with the accounting firm of Deloitte & Touche, where he worked for 10 years. Mr. Hardman is a Certified Public Accountant and holds a master's degree in tax accounting.

John R. Heskett is Vice President, Corporate Development and Investor Relations. Mr. Heskett has held this position since August 2004. Mr. Heskett was appointed Vice President, Corporate Development in 2002. Mr. Heskett previously served as Assistant Treasurer for our company and several of our subsidiaries, including HI and HLLC. Prior to joining Huntsman in 1997, Mr. Heskett was Assistant Vice President and Relationship Manager for PNC Bank, N.A., where he worked for a number of years.

James R. Moore is Vice President and Deputy General Counsel. Mr. Moore served as Vice President and Chief Environmental Counsel from 2002 until he was appointed to his current position in 2003. Mr. Moore also serves as Vice President and Chief Environmental Counsel of HLLC. From 1989 until joining Huntsman in 1998, Mr. Moore was a partner at the Seattle law firm of Perkins Coie. Mr. Moore also previously served as a trial attorney with the U.S. Department of Justice, an assistant U.S. Attorney and Regional Counsel, Region 10, of the U.S. Environmental Protection Agency.

R. Wade Rogers is Vice President, Global Human Resources. Mr. Rogers has held this position since May 2004. Mr. Rogers previously served as Director, Human Resources Americas and as Director, Human Resources for our Polymers and Base Chemicals businesses. Prior to joining Huntsman in 1994, Mr. Rogers held a variety of positions with Texaco Chemical Company, including Area Manager, Human Resources Jefferson County Operations.

Composition of the Board After This Offering

Our board of directors currently consists of five directors, including one independent director, Richard Michaelson. Our board of directors will be composed of a majority of independent directors immediately after the consummation of this offering.

Pursuant to our certificate of incorporation, our board of directors is divided into three classes. The members of each class will serve staggered, three-year terms. Upon the expiration of the term of a class of directors, directors in that class will be elected for three-year terms at the annual meeting of stockholders in the year in which their term expires. The classes are composed as follows:

- will be Class I directors, whose terms will expire at the 2005 annual meeting of stockholders;
- will be Class II directors, whose terms will expire at the 2006 annual meeting of stockholders; and
- will be Class III directors, whose terms will expire at the 2007 annual meeting of stockholders.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

Committees of the Board of Directors

Our board of directors currently has an audit committee, a compensation committee and a nominating and corporate governance committee.

Audit Committee

Our audit committee currently consists of Mr. Michaelson, Mr. and Mr. . Our board of directors has determined that the members of the audit committee are independent and that Mr. is an "audit committee financial expert" as such term is defined in Item 401(h) of Regulation S-K. The principal duties of the audit committee are:

- to recommend to our board of directors the independent auditor to audit our annual financial statements;
- to approve the overall scope of and oversee the annual audit;
- to assist the board in monitoring the integrity of our financial statements, the independent auditor's qualifications and independence, the performance of the independent auditor and our internal audit function and our compliance with legal and regulatory requirements;
- to discuss the annual audited financial and quarterly statements with management and the independent auditor;
- to discuss policies with respect to risk assessment and risk management; and
- to review with the independent auditor any audit problems or difficulties and management's response.

Compensation Committee

Our compensation committee currently consists of Mr. , Mr. and Mr. . Our board of directors has determined that the members of the compensation committee are independent. The principal duties of the compensation committee are to:

- to review and approve the compensation of our executive officers;
- to review key employee compensation policies, plans and programs;

to review and approve employment contracts and other similar arrangements between us and our executive officers; and to administer the Huntsman Stock Incentive Plan and other incentive compensation plans.

Nominating and Corporate Governance Committee.

Our nominating and corporate governance committee currently consists of Mr. , Mr. and Mr. . Our board of directors has determined that the members of the nominating and corporate governance committee are independent. The principal duties of the nominating and corporate governance committee are:

to recommend to the board of directors proposed nominees for election to the board of directors by the stockholders at annual meetings, including an annual review as to the renominations of incumbents and proposed nominees for election by the board of directors to fill vacancies that occur between stockholder meetings; and

to make recommendations to the board of directors regarding corporate governance matters and practices.

Compensation of Directors

Directors who are also our employees do not receive a retainer or fees for service on our board of directors or any committees. Directors who are not employees receive an annual fee of $, an annual grant of options to purchase shares of our common stock and a fee of $ for attendance at each meeting of our board of directors and each meeting of a committee of our board of directors on which they serve. In addition, the chairperson for each committee of the board of directors receives an annual fee of $. All of our directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of our board of directors or committees and for other reasonable expenses related to the performance of their duties as directors.

In addition, we have entered into a consulting agreement with Mr. Jon M. Huntsman, pursuant to which Mr. Huntsman receives $950,000 per year. See "Certain Relationships and Related Transactions HI Consulting Agreement with Jon M. Huntsman."

Summary Executive Compensation

The following summary compensation table sets forth information concerning compensation earned in the fiscal years ended December 31, 2003, 2002 and 2001 by our chief executive officer and our four other most highly compensated executive officers at the end of 2003. Information is also included for the former president of our pigments business, who would have been among the most highly compensated executive officers if he had not ceased to be an executive officer during 2003. We refer to these six persons collectively as our "named executive officers."

		Annual Compensation(1)			Long-Term Compensation Awards	
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation (2)	Number of Securities Underlying Options/EARs Granted(3)	All Other Compensation
Peter R. Huntsman	2003	$ 1,348,749	$ 500,000	$ 1,538,136(4)		$ 172,340(5)
President, Chief Executive Officer	2002	$ 1,144,000	$ 750,000	$ 452,434(6)		$ 135,520(5)
and Director	2001	$ 1,129,700	$ 500,000	$ 678,170(7)	263,158	$ 1,668,046(5)
J. Kimo Esplin	2003	$ 410,775	$ 300,000			$ 49,336(8)
Executive Vice President and	2002	$ 397,318	$ 400,000			$ 23,464(8)
Chief Financial Officer	2001	$ 386,250	$ 250,000	$ 381,674(9)	92,106	$ 92,422(8)
Samuel D. Scruggs	2003	$ 342,448	$ 450,000			$ 37,122(10)
Executive Vice President and	2002	$ 332,350	$ 400,000			$ 22,970(10)
General Counsel	2001	$ 262,308	$ 300,000		19,737	$ 88,873(10)
Douglas A.L. Coombs(11)	2003	$ 333,617	$ 843,270	$ 375,620(12)		
Former Division President,	2002	$ 284,928	$ 1,081,227	$ 384,077(13)		
Pigments	2001	$ 243,163	$ 658,565	$ 354,782(14)		
Paul G. Hulme	2003	$ 332,040	$ 329,691	$ 91,105(15)		
Division President, Advanced	2002	$ 179,942	$ 167,555	$ 107,714(16)		
Materials	2001	$ 146,084	$ 151,247	$ 66,783(17)		
Patrick W. Thomas(18)	2003	$ 554,792	$ 233,000	$ 168,476(19)		
Former Division President,	2002	$ 484,544	$ 452,136	$ 143,329(20)		
Polyurethanes	2001	$ 381,323	$ 385,998	$ 123,699(21)		$ 125,000(22)

(1) All compensation for Messrs. Huntsman, Esplin, and Scruggs was paid entirely by our subsidiary HLLC. All compensation for Messrs. Coombs, Hulme and Thomas was paid entirely by our subsidiary HI or one of its subsidiaries. Compensation figures for these executives shown on the table represent 100% of the compensation paid by our company and all of our affiliates to such executives.

(2) Any blank items in this column reflect perquisites and other personal benefits, securities or property received by the named executive officer which are less than either $50,000 or 10% of the total annual salary and bonus reported for the named executive officer.

(3) "EARs" means equity appreciation rights. For more information see " Equity Options and Equity Appreciation Rights" below.

(4) Perquisites and other personal benefits in the amount of $1,538,136 were provided for the named executive officer, including $1,190,763 for taxes and tax gross-ups paid in connection with foreign assignment.

(5) Consists of $4,000, $4,000, and $5,826 employer's contribution to the 401(k) Plan for 2003, 2002, and 2001, respectively, $2,000 and $18,830 employer's contribution to the Supplemental 401(k) Plan for 2003 and 2001, respectively, $16,000, $16,000, and $13,600 employer's contribution to the Money Purchase Plan for 2003, 2002, and 2001, respectively, $150,340, $115,520, and $137,040 employer's contribution to the money purchase pension plan portion of the Huntsman SERP for 2003, 2002, and 2001, respectively, $492,750 employer's contribution to the Equity Deferral Plan for 2001 and a $1,000,000 equity credit for foreign service under the Equity Deferral Plan for 2001.

(6) Perquisites and other personal benefits in the amount of $452,434 were provided for the named executive officer, including $345,244 for taxes paid in connection with foreign assignment.

(7) Perquisites and other personal benefits in the amount of $678,170 were provided for the named executive officer, including relocation expenses of $217,420 and $313,550 for education and housing expenses for foreign assignment.

(8) Consists of $4,000, $4,000, and $3,424 employer's contribution to the 401(k) Plan for 2003, 2002, and 2001, respectively, $12,215 and $5,876 employer's contribution to the Supplemental 401(k) Plan for 2003 and 2001, respectively, $6,000, $6,000, and $5,134 employer's contribution to the Money Purchase Plan for 2003, 2002, and 2001, respectively, $27,121, $13,464, and

$15,488 employer's contribution to the money purchase pension plan portion of the Huntsman SERP for 2003, 2002, and 2001, respectively, and $62,500 employer's contribution to the Equity Deferral Plan for 2001.

(9)
Perquisites and other personal benefits in the amount of $381,674 were provided for the named executive officer, including $253,026 for taxes paid in connection with foreign assignment.

(10)
Consists of $4,000, $4,000, and $3,400 employer's contribution to the 401(k) Plan for 2003, 2002, and 2001, respectively, $10,849 employer's contribution to the Supplemental 401(k) Plan for 2003, $6,000, $6,000, and $1,262 employer's contribution to the Money Purchase Plan for 2003, 2002, and 2001, respectively, $16,273, $12,970, and $1,477 employer's contribution to the money purchase pension plan portion of the Huntsman SERP for 2003, 2002, and 2001, respectively, and $82,734 employer's contribution to the Equity Deferral Plan for 2001.

(11)
Mr. Coombs ceased to be an executive officer on July 31, 2003.

(12)
Perquisites and other personal benefits in the amount of $375,620 were provided for the named executive officer, including $291,777 for taxes paid in connection with foreign assignment.

(13)
Perquisites and other personal benefits in the amount of $384,077 were provided for the named executive officer, including a payment of $116,186 for housing and other living expenses for foreign assignment, and $267,891 for taxes paid in connection with foreign assignment.

(14)
Perquisites and other personal benefits in the amount of $354,782 were provided for the named executive officer, including a payment of $88,511 for living expenses and $244,360 for taxes paid in connection with foreign assignment.

(15)
Perquisites and other personal benefits in the amount of $91,105 were provided for the named executive officer, including $46,006 as a housing allowance.

(16)
Perquisites and other personal benefits in the amount of $107,714 were provided for the named executive officer, including $64,380 as a temporary allowance and $27,585 as a housing allowance.

(17)
Perquisites and other personal benefits in the amount of $66,783 were provided for the named executive officer, including $29,086 as a temporary allowance and $24,566 as a housing allowance.

(18)
Mr. Thomas ceased to be an executive officer on February 29, 2004.

(19)
Perquisites and other personal benefits in the amount of $168,476 were provided for the named executive officer, including a payment of $78,267 for housing expenses paid in connection with foreign assignment.

(20)
Perquisites and other personal benefits in the amount of $143,329 were provided for the named executive officer, including a payment of $82,180 for housing expenses and $39,260 for location and other allowances for foreign assignment.

(21)
Perquisites and other personal benefits in the amount of $123,699 were provided for the named executive officer, including a payment of $69,461 for living expenses and $32,087 for educational expenses paid in connection with foreign assignment.

(22)
Consists of $125,000 employer's contribution to the Equity Deferral Plan for 2001.

Equity Options and Equity Appreciation Rights

Historically, we have not granted equity options to our directors, officers or employees, but we have granted equity appreciation rights ("EARs"). The EARs represent a right to a cash payment upon exercise equal to the difference between the value (determined by a formula) of a share of common stock of HLLC's predecessor (prior to the HLLC Restructuring) at exercise and the dollar amount per share set forth in the EAR at grant, multiplied by the number of shares represented by the EAR. The EARs do not grant the recipient any right to receive any form of stock or equity interest in our company or any other entity. There were no EARs granted or exercised during the fiscal years ended December 31, 2003 or 2002. As of December 31, 2003, the EARs had no value. We have recently implemented the Huntsman Cost Reduction Incentive Plan, and the EARs held by the participants in this plan, including each of our named executive officers, have been canceled in connection with this plan.

Cost Reduction Incentive Plan

In connection with our Project Coronado cost reduction program, we have adopted the Huntsman Cost Reduction Incentive Plan. The purpose of the plan is to encourage key employees to reduce fixed costs by providing incentive pay based upon the reduction in fixed costs for 2005 and 2006 relative to fixed costs for 2002. Fixed costs are calculated in accordance with the plan, on a constant currency basis. There are approximately 63 participants in the plan, including all of our executive officers. Plan participants will receive a bonus for 2005 if our annualized fixed costs as measured at the end of 2005 are at least $150 million less than our fixed costs for 2002 and will receive a bonus for 2006 if our annualized fixed costs as measured at the end of the first half of 2006 are at least $150 million less than our fixed costs for 2002. The aggregate bonus pool amount for each of 2005 and 2006 will be between 5% and 10% of the fixed cost reduction for the applicable period, depending on the amount of the reduction. No bonus will be paid for a period if the amount of the fixed cost reduction for that period is less than $150 million. Each participant's share of the aggregate bonus pool was determined by the compensation committee of HMP. Bonuses for 2005 will be payable no later than March 31, 2006, and bonuses for 2006 will be payable no later than January 7, 2007. However, we have the right to defer payments under certain circumstances. Bonuses will be payable in lump-sum cash payments, subject to our right to pay all or part of a bonus in shares of our common stock. In connection with this right, we intend to reserve up to shares of our common stock for issuance under the plan.

Retirement Plans

Huntsman Pension Plan and Huntsman SERP

We sponsor the Huntsman Defined Benefit Pension Plan (the "Huntsman Pension Plan"), a tax-qualified defined benefit pension plan, and a non-qualified supplemental pension plan (the "Huntsman SERP"). Effective July 1, 2004, the formula used to calculate future benefits under the Huntsman Pension Plan and the Huntsman SERP was changed to a cash balance formula. The benefits accrued under the plans as of June 30, 2004 were used to calculate opening cash balance accounts.

Huntsman Pension Plan. Messrs. Huntsman, Esplin and Scruggs were participants in the Huntsman Pension Plan in 2003. The Huntsman Pension Plan expresses benefits as a hypothetical cash balance account established in each participant's name. A participant's account receives two forms of credits: "pay credits" and "interest credits." Pay credits equal a percentage of a participant's compensation and are credited to a participant's account on an annual basis. "Compensation" for this purpose includes both salary and bonus as described in the Summary Compensation Table, but subject to the compensation limit applicable to tax-qualified plans ($205,000 for 2004). The applicable pay credit percentage ranges between 4% and 12% depending on the participant's combined age and years of service as of the start of each plan year. "Interest credits" for a plan year are based on the 30-year U.S. Treasury yield for November of the prior year. The minimum annual interest credit rate is 5.0%. In addition, plan participants who met certain age and service requirements on July 1, 2004 are entitled to receive "transition credits." Transition credits are payable for up to five years and equal a percentage of a participant's compensation. The applicable transition credit percentage is from 1% to 8% depending on the participant's combined age and years of service as of July 1, 2004.

At termination of employment after having completed at least five years of service, a participant will receive the amount then credited to the participant's cash balance account in an actuarially equivalent joint and survivor annuity (if married) or single life annuity (if not married). Participants may also choose from other optional forms of benefit, including a lump-sum payment in the amount of the cash balance account. The Huntsman Pension Plan also includes a minimum benefit that guarantees that a participant's benefit will not be less than the benefit accrued under the prior formula at transition (July 1, 2004) plus the benefit attributable to pay credits, with interest credits, beginning July 1, 2004.

Huntsman SERP. The Huntsman SERP provides benefits for designated executive officers based on certain compensation amounts not included in the calculation of benefits payable under the Huntsman Pension Plan. Messrs. Huntsman, Esplin, and Scruggs were participants in the Huntsman

SERP in 2003. The compensation amounts taken into account for these named executive officers under the Huntsman SERP include compensation in excess of the qualified plan limitations. The Huntsman SERP benefit is calculated as the difference between (1) the benefit determined using the Huntsman Pension Plan formula with unlimited base salary plus bonus, and (2) the benefit determined using base salary plus bonus as limited by federal regulations.

The number of completed years of credited service as of September 30, 2004 for Messrs. Huntsman, Esplin and Scruggs under the Huntsman Pension Plan and Huntsman SERP were 21 years, 10 years and 8 years, respectively. At September 30, 2004, these named executive officers were 41, 42 and 45 years of age, respectively.

Estimated Annual Benefits Payable to Named Executive Officers. The following table provides the estimated projected annual benefits from the Huntsman Pension Plan and the Huntsman SERP, payable as a lifetime annuity, commencing at normal retirement age (age 65) for Messrs. Huntsman, Esplin and Scruggs. These projections are based on continued employment to age 65 and a 5.12% interest credit rate (the rate in effect for 2004).

Name	Year of 65th Birthday	Estimated Annual Benefit
Peter Huntsman	2028	$ 1,585,000
Kimo Esplin	2027	375,000
Sam Scruggs	2024	313,000

The Huntsman SERP also provides benefits not available under the Huntsman Money Purchase Pension Plan (a qualified money purchase pension plan in which Messrs. Huntsman, Esplin and Scruggs participate) because of limits under federal law on compensation that can be counted and amounts that can be allocated to accounts within the Huntsman Money Purchase Pension Plan. The amount of benefits accrued under the Huntsman SERP relating to the Huntsman Money Purchase Pension Plan for these named executive officers is included in the Summary Compensation Table in the "All Other Compensation" column.

Huntsman Belgium Pension Fund

Messrs. Hulme and Thomas participate in the Huntsman Pension Fund VZW in Belgium (the "Huntsman Belgium Pension Fund"). The following table shows the estimated annual benefit payable under the Huntsman Belgium Pension Fund on reaching age 60 in specified final pensionable earnings and years-of-benefit service classifications.

Final Pensionable Compensation	Years of Benefit Service at Retirement							
	5	10	15	20	25	30	35	40
$ 200,000	12,609	25,217	37,826	50,434	63,043	75,651	88,260	100,869
250,000	16,364	32,728	49,092	65,456	81,820	98,184	114,548	130,912
300,000	20,119	40,239	60,358	80,478	100,597	120,717	140,836	160,955
350,000	23,875	47,750	71,625	95,499	119,374	143,249	167,124	190,999
400,000	27,630	55,261	82,891	110,521	138,151	165,782	193,412	221,042
450,000	31,386	62,771	94,157	125,543	156,929	188,314	219,700	251,086
500,000	35,141	70,282	105,423	140,565	175,706	210,847	245,988	281,129
550,000	38,897	77,793	116,690	155,586	194,483	233,379	272,276	311,173
600,000	42,652	85,304	127,956	170,608	213,260	255,912	298,564	341,216
650,000	46,407	92,815	139,222	185,630	232,037	278,445	324,852	371,259
700,000	50,163	100,326	150,489	200,651	250,814	300,977	351,140	401,303
750,000	53,918	107,837	161,755	215,673	269,591	323,510	377,428	431,346
800,000	57,674	115,347	173,021	230,695	288,369	346,042	403,716	461,390
850,000	61,429	122,858	184,287	245,717	307,146	368,575	430,004	491,433
900,000	65,185	130,369	195,554	260,738	325,923	391,107	456,292	521,477
950,000	68,940	137,880	206,820	275,760	344,700	413,640	482,580	551,520
1,000,000	72,695	145,391	218,086	290,782	363,477	436,173	508,868	581,563

Participants in the Huntsman Belgium Pension Fund may elect a lump sum benefit equal to 8.57% of final pensionable compensation up to the Belgian Social Security earnings ceiling, plus 18.21% of pensionable compensation above the ceiling, times years of service. Final pensionable compensation is 12 times the monthly base salary for the final year of employment. Covered compensation for Messrs. Hulme and Thomas under the plan is reflected in the "Salary" column of the Summary Compensation Table. As of September 30, 2004, Mr. Hulme had approximately 16 years of service in Belgium and was 48 years of age. On July 31, 2004, the date of his separation, Mr. Thomas had 16 years of service in Belgium and was 47 years of age. The benefit amounts for the Huntsman Belgium Pension Fund shown in the table do not include Belgian Social Security benefits, which are payable in addition to such benefit amounts.

Huntsman Pension Scheme

Messrs. Hulme and Thomas also participate in the Huntsman Pension Scheme in the U.K. The following table shows the estimated annual benefit payable under the Huntsman Pension Scheme on reaching age 62 in specified final pensionable earnings and years-of-service classifications.

Final Pensionable Compensation	Years of Benefit Service at Retirement							
	5	10	15	20	25	30	35	40
$ 200,000	17,920	35,840	53,760	71,680	89,599	107,519	125,439	133,333
250,000	22,495	44,990	67,485	89,980	112,474	134,969	157,464	166,667
300,000	27,070	54,140	81,210	108,280	135,349	162,419	189,489	200,000
350,000	31,645	63,290	94,935	126,580	158,224	189,869	221,514	233,333
400,000	36,220	72,440	108,660	144,880	181,099	217,319	253,539	266,667
450,000	40,795	81,590	122,385	163,180	203,974	244,769	285,564	300,000
500,000	45,370	90,740	136,110	181,480	226,849	272,219	317,589	333,333
550,000	49,945	99,890	149,835	199,780	249,724	299,669	349,614	366,667
600,000	54,520	109,040	163,560	218,080	272,599	327,119	381,639	400,000
650,000	59,095	118,190	177,285	236,380	295,474	354,569	413,664	433,333
700,000	63,670	127,340	191,010	254,680	318,349	382,019	445,689	466,667
750,000	68,245	136,490	204,735	272,980	341,224	409,469	477,714	500,000
800,000	72,820	145,640	218,460	291,280	364,099	436,919	509,739	533,333
850,000	77,395	154,790	232,185	309,580	386,974	464,369	541,764	566,667
900,000	81,970	163,940	245,910	327,880	409,849	491,819	573,789	600,000
950,000	86,545	173,090	259,635	346,180	432,724	519,269	605,814	633,333
1,000,000	91,120	182,240	273,360	364,480	455,599	546,719	637,839	666,667

The Huntsman Pension Scheme provides benefits equal to 2.2% (1/45th) of final pensionable compensation up to $20,072 (£11,250), plus 1.83% of final pensionable compensation above $20,072 (£11,250), minus 1/50th of the current State pension benefit, times actual years of service; subject to a maximum limit of 2/3rd of final pensionable compensation times actual years of service, divided by total possible service to retirement. Final pensionable compensation is gross salary received during the 12 months prior to retirement less any profit sharing payments. These benefits include U.K. social security benefits. As of September 30, 2004, Mr. Hulme had approximately 5 years of service in the U.K. As of July 31, 2004, Mr. Thomas had approximately 10 years of service in the U.K.

International Pension Plan

Messrs. Hulme and Thomas also participate in the International Pension Plan (the "IPP"), which is a nonregistered plan designed to protect the pension benefits of employees whose service involves participation in pension plans in more than one country. Through the IPP, each of Messrs. Hulme and Thomas at retirement can elect to receive a total pension benefit (which includes retirement benefits being provided by the Huntsman Belgium Pension Fund and the Huntsman Pension Scheme) that is the greater of (1) the benefit under the Huntsman Pension Scheme (with slight modifications if he has less than 10 years of actual U.K. service) based upon his combined service in Belgium and the U.K. and his U.K. notional salary, or (2) the benefit under the Huntsman Belgium Pension Fund based upon his combined service in Belgium and the U.K. Currently, the benefit under the IPP using the Huntsman Belgium Pension Fund is the most beneficial for both Mr. Hulme, who had 21 years of total service as of September 30, 2004, and Mr. Thomas, who had approximately 26 total years of service as of July 31, 2004.

Canadian Pension Plan

Mr. Coombs had a pension promise in respect of service on and after September 1, 1999 that guaranteed him a pension as if he were employed in Canada. Mr. Coombs retired from Huntsman and began drawing a pension benefit effective May 1, 2004. The benefit being paid to Mr. Coombs is C$83,236.44 per year. The pension is in the form of a joint and survivor annuity, which will provide Mr. Coombs with a lifetime pension, with 60% of that pension continuing to his spouse as a survivor benefit.

Stock Incentive Plan

The following contains a summary of the material terms of the Huntsman Stock Incentive Plan (the "Stock Incentive Plan"), which will be adopted by our Board of Directors and approved by our stockholders prior to the completion of this offering. The description of such terms is not complete. For more information, we refer you to the full text of the Stock Incentive Plan, which has been filed as an exhibit to the registration statement of which this prospectus forms a part.

The Stock Incentive Plan permits the grant of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, phantom stock, performance awards and other stock-based awards ("Awards") to employees, directors and consultants to us and to our affiliates. A maximum of   shares of common stock may be delivered pursuant to Awards under the Stock Incentive Plan. The number of shares deliverable pursuant to the Awards under the Stock Incentive Plan is subject to adjustment on account of mergers, consolidations, reorganizations, stock splits, stock dividends and other dilutive changes in our common stock. Shares of common stock used to pay exercise prices and to satisfy tax withholding obligations with respect to Awards as well as shares covered by Awards that expire terminate or lapse will again be available for Awards under the Stock Incentive Plan.

Administration

The Stock Incentive Plan is administered by a committee of our board of directors. However, our board of directors may take any action designated to the committee. The committee has the sole discretion to determine the employees, directors and consultants to whom Awards may be granted under the Stock Incentive Plan and the manner in which such Awards will vest. Awards are granted by the committee to employees, directors and consultants in such numbers and at such times during the term of the Stock Incentive Plan as the committee shall determine. The committee is authorized to interpret the Stock Incentive Plan, to establish, amend and rescind any rules and regulations relating to the Stock Incentive Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Stock Incentive Plan. The committee may correct any defect, supply any omission or reconcile any inconsistency in the Stock Incentive Plan in the manner and to the extent the committee deems necessary or desirable.

Options

The committee determines the exercise price for each option. However, options must generally have an exercise price at least equal to the fair market value of the common stock on the date the option is granted. An option holder may exercise an option by written notice and payment of the exercise price:

- in cash;
- through the delivery of irrevocable instructions to a broker to sell shares obtained upon the exercise of the option and to deliver to the company an amount out of the proceeds of the sale equal to the aggregate exercise price for the shares being purchased; or
- another method approved by the committee.

Stock Appreciation Rights

The committee may grant stock appreciation rights independent of or in connection with an option. The exercise price per share of a stock appreciation right will be an amount determined by the committee. However, stock appreciation rights must generally have an exercise price at least equal to the fair market value of the common stock on the date the stock appreciation right is granted. Generally, each stock appreciation right will entitle a participant upon exercise to an amount equal to (i) the excess of (1) the fair market value on the exercise date of one share of common stock over (2) the exercise price, times (ii) the number of shares of common stock covered by the stock appreciation right. Payment shall be made in common stock or in cash, or partly in common stock and partly in cash, all as shall be determined by the committee.

Performance Awards

The committee may grant performance awards denominated in dollars or other currencies that vest upon such terms and conditions as the committee may establish, including the achievement of performance criteria. To the extent earned, performance awards may be paid in common stock or in cash or any combination thereof as determined by the committee.

Other Stock-Based Awards

The committee may grant Awards of restricted stock, phantom stock and other Awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, shares of common stock, including shares of stock in lieu of cash compensation. Other stock-based awards will be subject to the terms and conditions established by the committee.

Transferability

Unless otherwise determined by the committee, Awards granted under the Stock Incentive Plan are not transferable other than by will or by the laws of descent and distribution.

Change of Control

In the event of a change of control of our company (as defined in the Stock Incentive Plan), the committee may provide for:

- the termination of an Award upon the consummation of the change of control, but only if the Award has vested and been paid out or the participant has been permitted to exercise an option in full prior to the change of control;
- acceleration of all or any portion of an Award;

payment in exchange for the cancellation of an Award; and/or

issuance of substitute awards that will substantially preserve the terms of any Awards.

Amendment and Termination

The board of directors or the committee may amend, alter or discontinue the Stock Plan in any respect at any time, but no amendment may diminish any of the rights of a participant under any Awards previously granted without his or her consent, except as may be necessary to comply with applicable laws.

Federal Income Tax Consequences of Awards Under the Stock Incentive Plan

When a non-qualified stock option is granted, there are no income tax consequences for the option holder or us. When a non-qualified stock option is exercised, the option holder recognizes compensation equal to the excess of the fair market value of the common stock on the date of exercise over the exercise price multiplied by the number of shares of common stock subject to the option that was exercised. In general, we are entitled to a deduction equal to the compensation recognized by the option holder for our taxable year that ends with or within the taxable year in which the option holder recognized the compensation.

When an incentive stock option is granted, there are no income tax consequences for the option holder or us. When an incentive stock option is exercised, the option holder does not recognize income and we do not receive a deduction. The option holder, however, must treat the excess of the fair market value of the common stock on the date of exercise over the exercise price as an item of adjustment for purposes of the alternative minimum tax.

If the option holder disposes of the common stock after the option holder has held the common stock for at least two years after the incentive stock option was granted and one year after the incentive stock option was exercised, the amount the option holder receives upon the disposition over the exercise price is treated as long-term capital gain for the option holder. We are not entitled to a deduction. If the option holder makes a "disqualifying disposition" of the common stock by disposing of the common stock before it has been held for at least two years after the date the incentive option was granted and one year after the date the incentive option was exercised, the option holder recognizes compensation income equal to the excess of (i) the fair market value of the common stock on the date the incentive option was exercised or, if less, the amount received on the disposition over (ii) the exercise price. In general, we are entitled to a deduction equal to the compensation recognized by the option holder for our taxable year that ends with or within the taxable year in which the option holder recognized the compensation.

When a stock appreciation right is granted, there are no income tax consequences for the participant or us. When a stock appreciation right is exercised, the participant recognizes compensation equal to the cash and/or the fair market value of the shares received upon exercise. In general, we are entitled to a deduction equal to the compensation recognized by the participant with respect to an Award.

Generally, when phantom stock, a share of restricted stock, a performance award or other stock-based award (other than unrestricted stock in lieu of cash compensation) is granted, there are no income tax consequences for the participant or us. Upon the payment to the participant of common shares and/or cash in respect of the Award or the release of restrictions on restricted stock, the participant recognizes compensation equal to the fair market value of the cash and/or shares as of the date of delivery or release. Upon the grant of unrestricted stock, a participant will recognize compensation equal to the fair market value of the shares as of the grant date. In general, we are entitled to a deduction equal to the compensation recognized by the participant with respect to other stock-based awards.

Employment Agreements

Mr. Hulme is party to an employment agreement with Huntsman Advanced Materials (Europe) BVBA, which is subject to annual renewal. This agreement currently entitles Mr. Hulme to an annual U.K. base salary of £210,000 or an annual Belgian base salary of €260,000 and a bonus of up to €130,000. Mr. Hulme is required to elect how to receive his annual base salary each year. For the current year, Mr. Hulme has elected to receive 15% of his annual U.K. base salary and 85% of his annual Belgian base salary. We do not have employment agreements with any of our other named executive officers.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock, giving effect to the Reorganization Transaction and as adjusted to reflect the sale of common stock in this offering, by:

each person who is known by us to own beneficially more than 5% of our common stock;

each member of our board of directors and each of our named executive officers; and

all members of our board of directors and our executive officers as a group.

Name of Beneficial Owner(1)	Shares Beneficially Owned Prior to this Offering		Number of Shares Being Offered	Shares Beneficially Owned After this Offering	
	Number	Percentage		Number	Percentage
HMP Investments LLC					
Huntsman Family Holdings Company LLC(2)					
MatlinPatterson Global Opportunities Partners, L.P.(3)					
MatlinPatterson Global Opportunities Partners B, L.P.(4)					
MatlinPatterson Global Opportunities Partners (Bermuda), L.P.(5)					
Jon M. Huntsman(6)(7)					
Peter R. Huntsman(7)(8)(9)					
David J. Matlin(7)(10)					
Richard Michaelson(7)(11)					
Christopher Pechock(7)(9)					
J. Kimo Esplin(7)(9)					
Samuel D. Scruggs(7)(9)					
Douglas A. L. Coombs(12)					
Paul G. Hulme(7)(9)					
Patrick W. Thomas(13)					
All directors and executive officers as a group (15 persons)(7)					

(1) Unless otherwise indicated, the address of each beneficial owner is c/o Huntsman Corporation, 500 Huntsman Way, Salt Lake City, Utah 84108.

(2) Of the shares indicated as being beneficially owned by Huntsman Family Holdings Company LLC, of such shares are owned directly by HMP Investments LLC. Based on its ownership of membership interests in HMP Investments LLC, Huntsman Family Holdings Company LLC may be deemed to have voting and dispositive power over the shares owned by HMP Investments LLC.

(3) Of the shares indicated as being beneficially owned by MatlinPatterson Global Opportunities Partners, L.P., of such shares are owned directly by HMP Investments LLC. Based on its ownership of membership interests in HMP Investments LLC, MatlinPatterson Global Opportunities Partners, L.P. may be deemed to have voting and dispositive power over the shares owned by HMP Investments LLC. The address of MatlinPatterson Global Opportunities Partners, L.P. is 520 Madison Avenue, New York, New York 10022.

(4) Of the shares indicated as being beneficially owned by MatlinPatterson Global Opportunities B, L.P., of such shares are owned directly by HMP Investments LLC. Based on its ownership of membership interests in HMP Investments LLC, MatlinPatterson Global Opportunities B, L.P.

may be deemed to have voting and dispositive power over the shares owned by HMP Investments LLC. The address of MatlinPatterson Global Opportunities B, L.P. is 520 Madison Avenue, New York, New York 10022.

(5)

Of the shares indicated as being beneficially owned by MatlinPatterson Global Opportunities (Bermuda), L.P., of such shares are owned directly by HMP Investments LLC. Based on its ownership of membership interests in HMP Investments LLC, MatlinPatterson Global Opportunities (Bermuda), L.P. may be deemed to have voting and dispositive power over the shares owned by HMP Investments LLC. The address of MatlinPatterson Global Opportunities (Bermuda), L.P. is 520 Madison Avenue, New York, New York 10022.

(6)

Of the shares indicated as being beneficially owned by Mr. Jon M. Huntsman, of such shares are owned directly by HMP Investments LLC. Mr. Jon M. Huntsman serves as a manager of HMP Investments LLC. As such, Mr. Jon M. Huntsman may be deemed to have voting and dispositive power over the shares owned by HMP Investments LLC.

(7)

Does not include shares that may be acquired through the exercise of options to purchase shares of our common stock as follows: Mr. Jon M. Huntsman ; Mr. Peter R. Huntsman ; Mr. Matlin ; Mr. Pechock ; Mr. Michaelson ; Mr. Esplin ; Mr. Scruggs ; Mr. Hulme ; and all directors and executive officers . None of such options are exercisable within 60 days of the date of this prospectus.

(8)

Of the shares indicated as being beneficially owned by Mr. Peter R. Huntsman, of such shares are owned directly by HMP Investments LLC. Mr. Peter R. Huntsman serves as a manager of HMP Investments LLC. As such, Mr. Peter R. Huntsman may be deemed to have voting and dispositive power over the shares owned by HMP Investments LLC.

(9)

Mr. Pechock serves as a manager of HMP Investments LLC. As such, Mr. Pechock may be deemed to have voting and dispositive power over the shares owned by HMP Investments LLC. The address of Mr. Pechock is c/o MatlinPatterson Global Opportunities Partners, L.P., 520 Madison Avenue, New York, New York 10022.

(10)

Mr. Matlin serves as a manager of HMP Investments LLC. As such, Mr. Matlin may be deemed to have voting and dispositive power over the shares owned by HMP Investments LLC. The address of Mr. Matlin is c/o MatlinPatterson Global Opportunities Partners, L.P., 520 Madison Avenue, New York, New York 10022.

(11)

Does not include shares that may be issued at the discretion of our board of directors in lieu of cash payments that may be earned under the Huntsman Cost Reduction Incentive Plan. See "Management Cost Reduction Incentive Plan."

(12)

Mr. Coombs ceased to be an executive officer on July 31, 2003.

(13)

Mr. Thomas ceased to be an executive officer on February 29, 2004.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Aircraft Sublease

On December 29, 2000, Jstar Corporation ("Jstar"), a Utah corporation wholly owned by Jon M. Huntsman, purchased for the amount of $8.753 million the interest of Airstar Corporation ("Airstar"), a subsidiary of HLLC, in a lease (the "Mellon Lease") pursuant to which Airstar leased a Gulfstream IV-SP Aircraft (the "Aircraft"), and in a sublease (the "Prior Sublease") under which certain of our subsidiaries subleased the Aircraft from Airstar. The consideration for this transaction was consistent with that amount opined as fair by Gulfstream Aerospace Corporation in its opinion letter to Airstar dated December 29, 2000. Sublease payments from Airstar to Jstar during the period beginning December 29, 2000, and ending September 14, 2001, totaled $1.7 million. On September 14, 2001, the Mellon Lease and the Prior Sublease were terminated and Jstar entered into a new lease of the Aircraft. In connection therewith, Airstar and Jstar entered into a new sublease regarding the Aircraft. Monthly sublease payments from Airstar to Jstar are in the amount of approximately $195,000. These monthly sublease payments are used to fund financing costs paid by Jstar to a leasing company. An unrelated third party pays $2 million per year to HLLC for such third-party's part-time use of the Aircraft (or an alternate owned by us if the Aircraft is unavailable), subject to an annual adjustment, which we believe to be at least fair market value for the number of flight hours used by such third party. We bear all other costs of operating the Aircraft.

Subordinated Loan

On July 2, 2001, we borrowed $25.0 million from Horizon Ventures LLC, an affiliated entity controlled by Jon M. Huntsman, and executed a note payable in the same amount. The note bears interest at a rate of 15% per year and is due and payable on the earlier of: (1) July 2, 2011, (2) repayment in full in cash of all indebtedness under the HLLC Credit Facilities and the HLLC Subordinated Notes, or (3) commencement of a voluntary case under Title 11 of the U.S. Code or any similar law for the relief of debtors or our consent to the institution of a bankruptcy or an insolvency proceeding against us, or the making of a general assignment for the benefit of our creditors. Interest is not paid in cash, but is accrued at a designated rate of 15% per year, compounded annually. As of September 30, 2004 and December 31, 2003, accrued interest added to the principal balance was $14.5 million and $10.5 million, respectively. We intend to use a portion of the net proceeds of this offering to repay this note in full.

Consulting Agreement with Jon M. Huntsman

We entered into an agreement with Jon M. Huntsman on June 3, 2003, pursuant to which Mr. Huntsman provides consulting services to us at our request. Mr. Huntsman, who is the Chairman of the Board of our company but is not our employee, provides advice and other business consulting services at our request regarding our products, customers, commercial and development strategies, financial affairs, and administrative matters based upon his experience and knowledge of our business, the industry, and the markets within which we compete. Mr. Huntsman's services are utilized both with respect to the conduct of our business in the ordinary course and with respect to strategic development and specific projects. Under the terms of the agreement, which renews automatically for successive one-year terms and which may be terminated by either party at any time, Mr. Huntsman receives $950,000 annually in exchange for his services.

Salt Lake City Office Building

We have agreed with the Jon and Karen Huntsman Foundation, a private charitable foundation established by Jon M. Huntsman, that we will donate our Salt Lake City office building to the foundation, free of debt, at the earlier of such time as we, in our sole discretion, no longer occupy the building or November 30, 2009.

Other Transactions with the Huntsman Family

The following table shows the compensation in excess of $60,000 paid to members of the Huntsman family for services as officers of our company or our subsidiaries in each of the last three fiscal years.

Name	Year	Salary	Bonus	Other Compensation
Jon M. Huntsman	2003	$	$	$
	2002	$	$	$
	2001	$ 1,000,000	$	$ 443,359
Karen H. Huntsman	2003	$ 186,049	$ 20,000	$ 36,437
	2002	$ 182,000	$ 20,000	$ 29,329
	2001	$ 180,250	$	$ 45,655
Jon M. Huntsman, Jr.	2003	$ 262,500	$ 75,000	$ 125,202
	2002	$	$	$ 416,000
	2001	$ 408,633	$	$ 402,184
James H. Huntsman	2003	$ 230,024	$ 105,000	$ 619,442
	2002	$ 208,000	$ 100,000	$ 642,052
	2001	$ 205,999	$ 60,000	$ 264,297
David H. Huntsman	2003	$ 292,449	$ 75,000	$ 53,975
	2002	$ 286,000	$ 100,000	$ 73,011
	2001	$ 283,249	$ 50,000	$ 109,211
Paul C. Huntsman	2003	$ 178,900	$ 75,000	$ 58,971
	2002	$ 153,125	$ 100,000	$ 61,044
	2001	$ 108,333	$ 50,000	$ 144,831
James A. Huffman	2003	$ 265,850	$ 75,000	$ 117,342
	2002	$ 260,000	$ 100,000	$ 124,100
	2001	$ 257,500	$ 50,000	$ 162,517
David S. Parkin	2003	$ 230,025	$ 115,000	$ 157,132
	2002	$ 208,000	$ 100,000	$ 183,660
	2001	$ 206,000	$ 75,000	$ 283,861

Karen H. Huntsman is the wife of Jon M. Huntsman, our Chairman of the Board and a director, and the mother of Peter R. Huntsman, our President and Chief Executive Officer and a director. Each of Jon M. Huntsman, Jr., James H. Huntsman, David H. Huntsman and Paul C. Huntsman is a son of Jon M. Huntsman and a brother of Peter R. Huntsman. Each of James A. Huffman and David S. Parkin is a son-in-law of Jon M. Huntsman and a brother-in-law of Peter R. Huntsman. For compensation information relating to Peter R. Huntsman, see "Management Summary Executive Compensation."

In addition, we made payments to Huntsman Financial Consulting, L.C., of which Jon M. Huntsman is the sole member, in the amounts of $475,000, $314,094, $475,456 and $119,838 in 2004, 2003, 2002 and 2001, respectively. These amounts and the amounts shown in the "Other Compensation" column in the table above include some or all of the following: company contributions to employee benefit plans, housing and education allowances for overseas assignments, travel allowances, automobile and aircraft usage, administrative and security services, and perquisites and personal benefits.

Senior Management Investment

In connection with the HLLC Restructuring, certain of our directors, executive officers and other related persons contributed an aggregate of $2.25 million and certain equity interests in one of our subsidiaries in exchange for approximately 0.7% of the voting membership interests of our predecessor, and, indirectly, 0.6% of the non-voting preferred units of our predecessor. The following table shows the amounts paid and membership interests received by such persons:

	Membership Interests Purchased		
Purchaser	**Class A Common**	**Preferred**	**Amount Paid**
Peter R. Huntsman	28,993	1,122,065	$ 1,000,000
J. Kimo Esplin	14,497	561,032	500,000
Samuel D. Scruggs	14,497	561,032	500,000
David S. Parkin	4,349	168,310	150,000
L. Russell Healy	2,899	112,206	100,000
Total	65,235	2,524,645	$ 2,250,000

These persons will receive shares of our common stock in exchange for their HLLC membership interests in the Reorganization Transaction. See "Our Company The Reorganization Transaction."

The HLLC Restructuring

On September 30, 2002, HLLC, various members of the Huntsman family (including Jon M. Huntsman and Peter R. Huntsman), MatlinPatterson, Consolidated Press Holdings Limited ("Consolidated Press") and other persons (including the persons described under " Senior Management Investment" above) completed the HLLC Restructuring, which included a debt for equity exchange and the acquisition of Consolidated Press' interests in certain of our subsidiaries, including HCCA, HCA and Huntsman Petrochemical Corporation.

Pursuant to the HLLC Restructuring:

- the Huntsman family contributed all of their equity interests in HLLC and its subsidiaries, including certain minority interests acquired from Consolidated Press, to our predecessor Huntsman Holdings, LLC in exchange for 10,000,000 Class B Common Units in Huntsman Holdings, LLC, representing all of the issued and outstanding Class B Common Units;

- MatlinPatterson and Consolidated Press contributed the following interests to Huntsman Holdings, LLC in exchange for 9,930,415 Class A Common Units in Huntsman Holdings, LLC, representing 99.3% of the issued and outstanding Class A Common Units, and 384,307,046 units in Huntsman Holdings Preferred Member LLC (a new entity formed to hold such interests), representing 97.3% of the issued and outstanding units;

  - approximately $679 million in principal amount of HLLC's outstanding subordinated notes and Huntsman Polymers' outstanding senior notes (including approximately $84 million in accrued interest that was cancelled as a result of the exchange);

  - all of the shares of a subsidiary that held the HIH Senior Subordinated Discount Notes valued at $273.1 million (including accrued interest of $13.1 million), a note payable to ICI of $103.5 million (including accrued interest of $3.5 million) and an option to acquire the subsidiary of ICI that held a 30% membership interest in HIH;

such other persons contributed cash in the aggregate amount of $3.4 million and certain equity interests in our subsidiaries in exchange for 69,585 Class A Common Units, representing 0.7% of the issued and outstanding Class A Common Units, and 10,678,443 units in Huntsman Holdings Prefered Member LLC, representing 2.7% of the issued and outstanding units; and

Huntsman Holdings, LLC contributed its investment in HLLC to HMP.

The AdMat Transaction

On June 30, 2003, in the AdMat Transaction, ownership of Vantico was transferred to Advanced Materials in exchange for substantially all of Vantico's issued and outstanding 12% senior secured notes and approximately $165 million of additional equity provided by MatlinPatterson and other Vantico investors. MatlinPatterson contributed its approximately 88% ownership interest in Advanced Materials to Huntsman Holdings, LLC in exchange for the issuance to MatlinPatterson and other members of Huntsman Holdings, LLC of the following membership interests in Huntsman Holdings, LLC which track the performance of Advanced Materials:

Membership Interest	Holder (percentage held)
Series A Tracking Preferred	MatlinPatterson (98.1%) CPH (1.9%)
Series B Tracking Preferred	Huntsman Family (97%) CPH (3%)
Series C Tracking Preferred	MatlinPatterson (98.1%) CPH (1.9%)
Series D Tracking Preferred	Huntsman Family (97%) CPH (3%)

On March 19, 2004, we acquired an additional 2.1% interest in Advanced Materials from Morgan Grenfell Private Equity Limited in exchange for $7.2 million.

The Reorganization Transaction

We will consummate the Reorganization Transaction in connection with the completion of this offering. In the Reorganization Transaction, Huntsman Holdings, LLC will merge into us, and the existing holders of the common and preferred membership interests in Huntsman Holdings, LLC, including the mandatorily redeemable preferred interests, will receive, directly or indirectly, shares of our common stock in exchange for their interests. In addition, the holders of the HMP Warrants will exchange all of their warrants for shares of our common stock. Immediately prior to the merger, Huntsman Family Holdings and MatlinPatterson will contribute all of their membership interests in Huntsman Holdings, LLC to Investments LLC, which will receive shares of our common stock in exchange for these interests. Huntsman Family Holdings will control Investments LLC, including the voting of the shares of our common stock held by Investments LLC. However, Investments LLC will not be able to vote its shares of our common stock in favor of certain corporate actions without the consent of MatlinPatterson. MatlinPatterson will have control over the disposition of the shares of our common stock held by Investments LLC that are allocated to MatlinPatterson's membership interest in Investments LLC. In addition, Huntsman Family Holdings has agreed to cause all of the shares of our common stock held by Investments LLC to be voted in favor of the election to our board of directors of two nominees designated by MatlinPatterson. Immediately following the Reorganization Transaction and this offering, Investments LLC will hold a majority of our outstanding common stock.

Registration Rights Agreement

In connection with the Reorganization Transaction, we intend to enter into a registration rights agreement with Investments LLC and its owners pursuant to which they will have demand and piggyback registration rights for the shares of our common stock that Investments LLC receives in the Reorganizaton Transaction. The agreement will also provide that we will pay the costs and expenses, other than underwriting discounts and commissions, related to the registration and sale of shares of our common stock by Investments LLC that are registered pursuant to this agreement. The agreement will contain customary registration procedures and indemnification and contribution provisions for the benefit of Investments LLC, its owners and us.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of shares of common stock, par value $0.01 per share, and shares of preferred stock, par value $0.01 per share.

Upon completion of this offering, we expect shares of common stock and no shares of preferred stock will be issued and outstanding.

Common Stock

Holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of common stock do not have cumulative voting rights in the election of directors. Holders of common stock are entitled to receive ratably dividends if, as and when dividends are declared from time to time by our board of directors out of funds legally available for that purpose, after payment of dividends required to be paid on outstanding preferred stock, as described below, if any. Our senior credit facilities and indentures impose restrictions on our ability to declare dividends with respect to our common stock. Upon liquidation, dissolution or winding up, any business combination or a sale or disposition of all or substantially all of the assets, the holders of common stock are entitled to receive ratably the assets available for distribution to the stockholders after payment of liabilities and accrued but unpaid dividends and liquidation preferences on any outstanding preferred stock. The common stock has no preemptive or conversion rights and is not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of our common stock, including the common stock offered in this offering, are fully paid and non-assessable.

Preferred Stock

Our certificate of incorporation authorizes our board of directors, without stockholder approval, to establish one or more series of preferred stock and to determine, with respect to any series of preferred stock, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series, which our board may, except where otherwise provided in the preferred stock designation, increase or decrease, but not below the number of shares then outstanding;
- whether dividends, if any, will be cumulative or non-cumulative and the dividend rate of the series;
- the dates at which dividends, if any, will be payable;
- the redemption rights and price or prices, if any, for shares of the series;
- the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series;
- the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of our company;
- whether the shares of the series will be convertible into shares of any other class or series, or any other security, of our company or any other corporation, and, if so, the specification of the other class or series or other security, the conversion price or prices or rate or rates, any rate adjustments, the date or dates as of which the shares will be convertible and all other terms and conditions upon which the conversion may be made;
- restrictions on the issuance of shares of the same series or of any other class or series; and

the voting rights, if any, of the holders of the series.

The issuance of shares of preferred stock by our board of directors as described above may adversely affect the rights of the holders of our common stock. For example, preferred stock may rank prior to the common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock. The issuance of shares of preferred stock may discourage third-party bids for our common stock or may otherwise adversely affect the market price of the common stock. In addition, the preferred stock may enable our board of directors to make more difficult or to discourage attempts to obtain control of our company through a hostile tender offer, proxy contest, merger or otherwise, or to make changes in our management.

Anti-Takeover Effects of Certain Provision of Our Certificate of Incorporation and Bylaws

Certain provisions of our certificate of incorporation and bylaws, which are summarized in the following paragraphs, may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

Classified Board

Our certificate of incorporation provides that our board of directors will be divided into three classes of directors, with the classes to be as nearly equal in number as possible. As a result, approximately one-third of our board of directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board. Our certificate of incorporation and the bylaws provide that the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by the board, but must consist of not less than three or more than fifteen directors.

Removal of Directors; Vacancies

Under the Delaware General Corporation Law ("DGCL"), unless otherwise provided in our certificate of incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our certificate of incorporation and the bylaws provide that unless otherwise provided in the stockholders agreement, directors may be removed only for cause. In addition, our certificate of incorporation and bylaws also provide that unless otherwise provided in the stockholders agreement, any vacancies on our board of directors will be filled only by the affirmative vote of a majority of the remaining directors, although less than a quorum.

No Stockholder Action by Written Consent; Calling of Special Meetings of Stockholders

Our certificate of incorporation prohibits stockholder action by written consent. It also provides that special meetings of our stockholders may be called only by the chairman of our board or the President or Secretary at the direction of the board of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our bylaws provide that stockholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of stockholders must provide timely notice of their proposal in writing to the corporate secretary.

Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the previous year's annual meeting. Our bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may impede stockholders' ability to bring matters before an annual meeting of stockholders or make nominations for directors at an annual meeting of stockholders.

Limitations on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties. Our certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director, except for liability:

- for breach of duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;
- under Section 174 of the DGCL (unlawful dividends); or
- for transactions from which the director derived improper personal benefit.

Our certificate of incorporation and bylaws provide that we must indemnify our directors and officers to the fullest extent authorized by the DGCL. We are also expressly authorized to carry directors' and officers' insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

We also intend to enter into customary indemnification agreements with each of our officers and directors.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

In the opinion of the SEC, indemnification provisions that purport to include indemnification for liabilities arising under the Securities Act are contrary to public policy and are, therefore, unenforceable.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the DGCL. Subject to specified exceptions, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder without the approval of our board of directors or stockholders. "Business combinations" include mergers, asset sales and other transactions resulting in a financial benefit to the "interested stockholder." Subject to various exceptions, an "interested stockholder" is a person who together with his or her affiliates and associates, owns, or within three years did own, 15% or more of the corporation's outstanding voting stock. These restrictions generally prohibit or delay the accomplishment of mergers or other takeover or change in control attempts.

Transfer Agent and Registrar

is the transfer agent and registrar for our common stock.

Listing

We have applied to include our common stock for listing on the New York Stock Exchange under the symbol "HUN."

Authorized but Unissued Capital Stock

The DGCL does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of the New York Stock Exchange, which would apply so long as our common stock is listed on the New York Stock Exchange, require stockholder approval of certain issuances equal to or exceeding 20% of the then-outstanding voting power or then outstanding number of shares of common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive the stockholders of opportunities to sell either shares of common stock at prices higher than prevailing market prices.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have shares of common stock outstanding, assuming no exercise of outstanding options. Of these shares, the shares sold in this offering will be available for immediate sale in the public market as of the date of this prospectus. The remaining shares are "restricted securities" under Rule 144 of the Securities Act. Generally, restricted securities that have been owned for two years may be sold immediately after the completion of this offering and restricted securities that have been owned for at least one year may be sold 90 days after completion of this offering subject to compliance with the volume and other limitations of Rule 144. Following this offering, shares will be eligible for sale in the public market beginning 180 days after the date of this prospectus, or earlier with the consent of Citigroup Global Markets, Inc., and common shares will become eligible for sale in the public market at various times following 180 days after the date of this prospectus, subject in each case to the limitations of Rule 144.

Lock-Up Agreements

Pursuant to certain "lock-up" agreements, we and our executive officers, directors, Investments LLC and our other stockholders have agreed, subject to limited exceptions, not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, including the filing (or participation in the filing) of a registration statement under the Securities Act relating to, any shares of common stock or securities convertible into or exchangeable or exercisable for any shares of common stock without the prior written consent of Citigroup Global Markets, Inc. for a period of 180 days after the date of this prospectus (subject to extension as described in "Underwriting").

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned restricted shares for at least one year would be entitled to sell in any three- month period up to the greater of:

- 1% of the then-outstanding common shares, or approximately shares immediately after this offering; and
- the average weekly trading volume of the common shares during the four calendar weeks preceding the filing of a Form 144 with respect to such sale.

Sales under Rule 144 are also subject to certain manner of sale and notice requirements and to the availability of current public information about us.

Under Rule 144(k), a person who has not been one of our affiliates during the preceding 90 days and who has beneficially owned the restricted shares for at least two years is entitled to sell them without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Rule 701

Any of our employees, directors, officers, consultants or advisors who purchased shares from us in connection with a written stock or option plan before the effective date of this offering is entitled to rely on the resale provisions of Rule 701, subject to the lock-up agreements described above. In general, Rule 701 permits non-affiliates to sell their Rule 701 shares 90 days after the effectiveness of a registration statement relating to a company's initial public offering without having to comply with the public information, holding period, volume limitation or notice provisions of Rule 144 and permits affiliates to sell their Rule 701 shares without having to comply with the holding period of Rule 144.

Registration Rights

After this offering, the holders of common shares will be entitled to rights with respect to the registration of these shares under the Securities Act. If these shares are registered under these laws, they would become freely tradable immediately upon the effectiveness of the registration, except for shares purchased by affiliates.

Investments LLC. In connection with the Reorganization Transaction, we intend to enter into a registration rights agreement with Investments LLC and its owners pursuant to which they will have demand and piggyback registration rights for the shares of our common stock that Investments LLC receives in the Reorganizaton Transaction. The agreement will also provide that we will pay the costs and expenses, other than underwriting discounts and commissions, related to the registration and sale of shares of our common stock by Investments LLC that are registered pursuant to this agreement. The agreement will contain customary registration procedures and indemnification and contribution provisions for the benefit of Investments LLC, its owners and us.

Former HMP Warrant Holders. Pursuant to a registration rights agreement between us and the former holders of the HMP Warrants (the "Former HMP Warrant Holders"), the holders of at least 25% of the shares of our common stock that are exchanged for the HMP Warrants in the Reorganization Transaction have the right, on one occasion following the one-year anniversary of this offering, to demand that we register all or any portion of their shares of our common stock for sale in a shelf registration statement under the Securities Act. Despite a registration demand, we may delay filing of the registration statement for a reasonable time not to exceed 60 days if, in the judgment of our board of directors, filing the registration statement would require the disclosure of pending or contemplated matters or information which would have a material adverse effect on the business, operations or prospects of our company or the disclosure otherwise relates to a material business transaction which has not yet been publicly disclosed. Further, if we propose to register any shares of our common stock under the Securities Act, except for shares of common stock issued in connection with acquisitions and benefit plans, the Former HMP Warrant Holders will have the right to include their shares of common stock in the registration, subject to certain limitations.

The agreement provides for customary registration procedures. We will pay all costs and expenses, other than underwriting discounts and commissions, fees of counsel to the Former HMP Warrant Holders and transfer taxes, if any, related to the registration and sale of shares of our common stock by any Former HMP Warrant Holder that are registered pursuant to this agreement.

The agreement contains customary indemnification and contribution provisions by us for the benefit of the Former HMP Warrant Holders. Each Former HMP Warrant Holder has agreed to indemnify us and the other Former HMP Warrant Holders solely with respect to information provided by such holder, with such indemnification being limited to the proceeds from the offering received by such holder.

Stock Options

In connection with the consummation of this offering, we will grant options to purchase a total of common shares under the Stock Incentive Plan to our directors, executive officers and employees. Additional common shares will be available for future option grants under the Stock Plan. We intend to file a registration statement on Form S-8 to register common shares issued or reserved for issuance under our existing stock option plan within 180 days after the date of this prospectus, thus permitting the resale of such shares by nonaffiliates in the public market without restriction under the Securities Act.

MATERIAL UNITED STATES FEDERAL TAX CONSEQUENCES TO NON-U.S. HOLDERS OF COMMON STOCK

The following is a general discussion of the material U.S. federal income and estate tax considerations with respect to the ownership and disposition of common stock applicable to Non-U.S. Holders. Unless otherwise stated, this discussion is limited to the tax consequences to those Non-U.S. Holders who hold such common stock as capital assets. For purposes of this discussion a "Non-U.S. Holder" is any beneficial owner of common stock other than:

- a citizen or individual resident of the United States;
- a corporation (or other entity taxed as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust, or a trust in existence on August 20, 1996 that has elected to continue to be treated as a "United States person" (as defined for U.S. federal income tax purposes).

In the case of shares of our common stock held by a partnership, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. This discussion is based on current provisions of the Internal Revenue Code, Treasury Regulations promulgated under the Internal Revenue Code, judicial opinions, published positions of the Internal Revenue Service, and other applicable authorities, all of which are subject to change or differing interpretations, possibly with retroactive effect. This discussion does not address all aspects of income and estate taxation or any aspects of state, local, or non-U.S. taxes, nor does it consider any specific facts or circumstances that may apply to particular Non-U.S. Holders that may be subject to special treatment under the U.S. federal tax laws, such as insurance companies, tax-exempt organizations, financial institutions, brokers, dealers in securities, and U.S. expatriates.

You are urged to consult your tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax considerations of acquiring, holding and disposing of shares of our common stock.

Dividends

In general, dividends paid to a Non-U.S. Holder will be subject to U.S. withholding tax at a rate of 30% of the gross amount, or a lower rate prescribed by an applicable income tax treaty, unless the dividends are effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States (or, in the case of an applicable income tax treaty, are attributable to a permanent establishment in the United States). Dividends that are effectively connected with such a U.S. trade or business (or attributable to a permanent establishment in the United States) generally will not be subject to U.S. withholding tax if the Non-U.S. Holder files the required forms, including Internal Revenue Service Form W-8ECI or any successor form, with the payor of the dividend, and instead will be subject to U.S. federal income tax on a net income basis, in the same manner as if the Non-U.S. Holder were a resident of the United States. A Non-U.S. Holder that is a corporation may be subject to an additional branch profits tax at a rate of 30%, or such lower rate as may be specified by an applicable income tax treaty. A Non-U.S. Holder is required to satisfy certification requirements in order to claim a reduced rate of withholding tax under an applicable income tax treaty, including the filing of Internal Revenue Service Form W-8BEN or any successor form.

A Non-U.S. Holder of common stock that is eligible for a reduced rate of U.S. federal income tax withholding under a tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

Gain on Sale or Other Disposition of Common Stock

In general, a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of shares of common stock so long as:

- the gain is not effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States or, where an income tax treaty applies, the gain is not attributable to a U.S. permanent establishment of the Non-U.S. Holder;
- the Non-U.S. Holder is an individual and either is not present in the United States for 183 days or more in the taxable year of the disposition or does not have a "tax home" in the United States for U.S. federal income tax purposes and meets other requirements; and
- we are not and have not been a United States real property holding corporation for U.S. income tax purposes at any time during the five-year period preceding such sale or other disposition.

We believe that we have not been and are not currently a United States real property holding corporation, and we do not expect to become one in the future based on our anticipated business operations.

Estate Tax

Common stock owned or treated as owned by an individual who is not a citizen or resident, as defined for U.S. federal estate tax purposes, of the United States at the time of death will be includible in the individual's gross estate for U.S. federal estate tax purposes and therefore may be subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise.

Information Reporting, Backup Withholding and Other Reporting Requirements

We must report annually to the Internal Revenue Service and to each Non-U.S. Holder the amount of dividends paid to, and the tax withheld with respect to, each Non-U.S. Holder. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable tax treaty. Copies of this information also may be made available under the provisions of a specific treaty or agreement with the tax authorities in the country in which the Non-U.S. Holder resides or is established.

U.S. backup withholding tax is currently imposed at the rate of 28% on applicable payments to persons that fail to furnish the information required under the U.S. information reporting requirements. The payment of dividends or the payment of proceeds from the disposition of common stock to a Non-U.S. Holder may be subject to backup withholding unless the recipient certifies under penalties of perjury as to its foreign status and certain other requirements are met, or the Non-U.S. Holder otherwise establishes an exemption. The payment of proceeds from the disposition of common stock to or through a non-U.S. office of a broker generally will not be subject to backup withholding or information reporting; however, such a payment of proceeds may be subject to information reporting, but generally not backup withholding, if the broker is:

- a United States person;
- a "controlled foreign corporation" for U.S. federal income tax purposes;
- a foreign person 50% or more of whose gross income from a specified period is effectively connected with a U.S. trade or business; or

a foreign partnership if at any time during its tax year either (i) one or more of its partners are United States persons who in the aggregate hold more than 50% of the income or capital interests in the partnership, or (ii) the foreign partnership is engaged in a U.S. trade or business.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder can be refunded or credited against the Non-U.S. Holder's U.S. federal income tax liability, if any, *provided* that the required information is furnished to the Internal Revenue Service in a timely manner.

Each prospective Non-U.S. Holder of common stock should consult that holder's own tax adviser with respect to the federal, state, local and foreign tax consequences of the acquisition, ownership and disposition of our common stock.

UNDERWRITING

Citigroup Global Markets Inc., Credit Suisse First Boston LLC, Merrill Lynch, Pierce Fenner & Smith Incorporated and Deutsche Bank Securities Inc. are acting as joint bookrunning managers of the offering, and are acting as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has agreed to purchase, and we and the selling stockholder have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter's name.

Underwriter	Number of Shares
Citigroup Global Markets Inc.	
Credit Suisse First Boston LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Deutsche Bank Securities Inc.	
Total	

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the over-allotment option described below) if they purchase any of the shares. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

The underwriters propose to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares to dealers at the public offering price less a concession not to exceed $ per share. The underwriters may allow, and dealers may reallow, a concession not to exceed $ per share on sales to other dealers. If all the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms. The representatives have advised us and the selling stockholder that the underwriters do not intend sales to discretionary accounts to exceed five percent of the total number of shares of our common stock offered by them.

We and the selling stockholder have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of common stock at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment.

We, our executive officers and directors, the selling stockholder and our other stockholders have agreed that, for a period of 180 days from the date of this prospectus, we and they will not, subject to limited exceptions, without the prior written consent of Citigroup Global Markets Inc., offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, including the filing (or participation in the filing) of a registration statement under the Securities Act relating to, any shares of our common stock or any securities convertible into or exchangeable for our common stock. Citigroup Global Markets Inc. in its sole discretion may release any of the securities subject to these lock-up agreements at any time without notice. In the event that either (x) during the last 17 days of the

180-day period referred to above, we issue an earnings release or a press release announcing a significant event or (y) prior to the expiration of such 180 days, we announce that we will release earnings or issue a press release announcing a significant event during the 17-day period beginning on the last day of such 180-day period, the restrictions described above shall continue to apply until the expiration of the 17-day period beginning on the date of the earnings or the significant event press release.

At our request, the underwriters have reserved up to % of the shares of common stock for sale at the initial public offering price to persons who are directors, officers or employees, or who are otherwise associated with us through a directed share program. The number of shares of common stock available for sale to the general public will be reduced by the number of directed shares purchased by participants in the program. Any directed shares not purchased will be offered by the underwriters to the general public on the same basis as all other shares of common stock offered. Participants in the directed share program must agree, subject to limited exceptions, not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, including the filing (or participation in the filing) of a registration statement under the Securities Act relating to, any shares of our common stock or any securities convertible into or exchangeable for our common stock without the prior written consent of Citigroup Global Markets Inc. for a period of days after the date of this prospectus. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with the sales of the directed shares.

Each underwriter has represented, warranted and agreed that:

- it has not offered or sold and, prior to the expiry of a period of six months from the closing date, will not offer or sell any shares included in this offering to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

- it has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any shares included in this offering in circumstances in which section 21(1) of the FSMA does not apply to us;

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares included in this offering in, from or otherwise involving the United Kingdom;

- the offer in the Netherlands of the shares included in this offering is exclusively limited to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises); and

- the shares offered in this prospectus have not been registered under the Securities and Exchange Law of Japan, and it has not offered or sold and will not offer or sell, directly or indirectly, the common stock in Japan or to or for the account of any resident of Japan, except (1) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (2) in compliance with any other applicable requirements of Japanese law.

Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price for the shares was determined by negotiations among us, the selling stockholder and the representatives. Among the factors considered in determining the initial public offering price were our record of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to our company. We cannot assure you, however, that the prices at which the shares will sell in the public market after this offering will not be lower than this initial public offering price or that an active trading market in our common stock will develop and continue after this offering.

The following table shows the underwriting discounts and commissions that we and the selling stockholder are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

	Paid by us		Paid by selling stockholder	
	No Exercise	**Full Exercise**	**No Exercise**	**Full Exercise**
Per Share	$	$	$	$
Total	$	$	$	$

In connection with the offering, Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of the underwriters, may purchase and sell shares of common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. "Covered" short sales are sales of shares made in an mount up to the number of shares represented by the underwriters' over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Transactions to close out the covered syndicate short involve either purchasers of the common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make "naked" short sales of shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when an underwriter repurchases shares originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the common stock. They may also cause the price of the common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the New York Stock Exchange or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We expect the shares to be approved for listing on the New York Stock Exchange under the symbol "HUN."

We and the selling stockholder estimate that our respective portions of the total expenses of this offering will be $ and $.

An affiliate of Deutsche Bank Securities Inc. is an agent and lender under the HLLC Credit Facilities. An affiliate of Deutsche Bank Securities Inc. is an agent and a lender, and affiliates of Credit

Suisse First Boston LLC, Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are lenders, under the HI Credit Facility. In such capacities each has received customary fees for such services. In addition, Credit Suisse First Boston LLC and certain of its affiliates and employees are limited partners in MatlinPatterson Global Opportunities Partners, L.P. and, therefore, have an indirect economic interest in our company. Affiliates of Credit Suisse First Boston LLC provide private banking services to Jon M. Huntsman and other members of the Huntsman family from time to time, including asset management, retail brokerage and margin lending services on customary terms. Credit Suisse First Boston LLC, Deutsche Bank Securities Inc. and Citigroup Global Markets Inc. acted as initial purchasers in the HLLC Senior Secured Notes offerings in September 2003 and December 2003, and Credit Suisse First Boston LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated acted as initial purchasers in the HLLC Senior Notes offering in June 2004. In such capacities each has received customary fees and commissions for such services.

Credit Suisse First Boston LLC acted as an initial purchaser in the HMP Discount Notes offering in May 2003, and Deutsche Bank Securities Inc. and Credit Suisse First Boston LLC acted as initial purchasers in the HI Senior Notes offering in April 2003. In such capacities each received customary fees and commissions for such services. Deutsche Bank Securities Inc. acted as an initial purchaser in connection with the AdMat Senior Secured Notes offering in June 2003, and an affiliate of Deutsche Bank Securities Inc. is an agent and a lender, and affiliates of Credit Suisse First Boston LLC are lenders, under the AdMat Revolving Credit Facility. In such capacities each has received customary fees and commissions.

The underwriters and their affiliates have performed investment banking and advisory services for us and our affiliates from time to time for which they received customary fees and expenses. The underwriters may, from time to time, engage in transactions and perform services for us, our subsidiaries or our affiliates in the ordinary course of their business.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. The representatives will allocate shares to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

We and the selling stockholder have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

LEGAL MATTERS

The validity of the common stock offered by this prospectus will be passed upon for us by Vinson & Elkins L.L.P., Houston, Texas. The underwriters have been represented by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York.

EXPERTS

The consolidated financial statements of Huntsman Holdings, LLC and subsidiaries as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003, included in this prospectus and the related financial statement schedules have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein (which report expresses an unqualified opinion and includes an explanatory paragraphs regarding (i) the change in method of computing depreciation expense in 2003 and (ii) the adoption of SFAS Nos. 141 and 142 in 2002 and SFAS No. 133 in 2001), and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Huntsman Advanced Materials LLC and subsidiaries as of December 31, 2003 and for the six months ended December 31, 2003, included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the restatement of the consolidated statements of equity and cash flows), and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Vantico Group S.A. and subsidiaries as of December 31, 2002 and for the six months ended June 30, 2003 and for the years ended December 31, 2002 and 2001, included in this prospectus have been audited by Deloitte S.A., an independent registered public accounting firm, as stated in their report appearing herein (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the adoption of SFAS No. 142 in 2002), and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Huntsman International Holdings LLC as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002, included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein (which report expresses an unqualified opinion and includes explanatory paragraphs regarding (i) the adoption of SFAS No. 142 in 2002 and SFAS No. 133 in 2001 and (ii) the restatement of the consolidated statements of cash flows), and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The balance sheet of Huntsman Corporation as of October 31, 2004 included in this prospectus has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein, and has been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1. This prospectus, which forms a part of the registration statement, does not contain all the information included in the registration statement. Certain information is omitted and you should refer to the registration statement and its exhibits. With respect to references made in this prospectus to any of our contracts or other documents, such references are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract or document. You may read and copy the registration statement, including exhibits and schedules filed with it, at the SEC's public reference facilities in Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the SEC's public reference facilities by calling the SEC at 1-800-SEC-0330. The SEC maintains a website (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants, such as us, that file electronically with the SEC.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements under the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference facilities and the website of the SEC referred to above.

GLOSSARY OF CHEMICAL ABBREVIATIONS

APAO	Amorphous polyalphaolefin
BDO	Butadienol
BLR	Basic liquid epoxy resin
DEG	Diethylene glycol
DGA	DiGlycolAmine
DPA	Diphenylamine
EG	Ethylene glycol
EO	Ethylene oxide
EPP	Expandable polypropylene
EPS	Expandable polystyrene
HDPE	High-density polyethylene
LAB	Linear alkylbenezene
LAS	Linear alkylbenzene sulfonate
LDPE	Low-density polyethylene
LLDPE	Linear low-density polyethylene
LNG	Liquefied natural gas
MDI	Diphenylmethane diisocyanate
MEG	Monoethylene glycol
MNB	Mononitrobenzene
MTBE	Methyl tertiary butyl ether
NGL	Natural gas liquid
PET	Polyethylene terephthalate
PG	Propylene glycol
PO	Propylene oxide
PTA	Purified terephthalic acid
PVC	Polyvinyl chloride
SB	Styrene-butadiene
SBR	Styrene-butadiene rubber
TBA	Tertiary butyl alcohol
TBHP	Tertiary butyl hydroperoxide
TDI	Toluene diisocyanate
TEG	Triethylene glycol
TPO	Thermoplastic polyolefin
TPU	Thermoplastic polyurethane
UPR	Unsaturated polyester resin

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HUNTSMAN HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(Dollars in Millions)

	September 30, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 239.1	$ 208.3
Accounts and notes receivables (net of allowance for doubtful accounts of $23.7 and $26.5, respectively)	1,395.8	1,096.1
Accounts receivable from affiliates	7.5	6.6
Inventories	1,132.6	1,039.3
Prepaid expenses	70.6	39.6
Deferred income taxes	20.6	14.7
Other current assets	69.5	108.3
Total current assets	2,935.7	2,512.9
Property, plant and equipment, net	5,014.8	5,079.3
Investment in unconsolidated affiliates	167.5	158.0
Intangible assets, net	264.8	316.8
Goodwill	3.3	3.3
Deferred income taxes	21.3	28.8
Notes receivable from affiliates	28.9	25.3
Other noncurrent assets	557.5	613.0
Total assets	$ 8,993.8	$ 8,737.4
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable, including overdraft of $nil and $7.5, respectively	$ 887.1	$ 812.0