

Huntsman CORP
Form 10-Q/A
February 21, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10 Q/A

Amendment No. 1

(Mark One)

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

For the quarterly period ended September 30, 2006

OR

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

For the transition period from _____ to _____

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

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

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

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

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

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

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

On November 10, 2006, 221,566,854 shares of common stock of Huntsman Corporation were outstanding and 2,728 units of membership interests of Huntsman International LLC were outstanding. There is no established trading market for Huntsman International LLC's units of membership interests. All of Huntsman International LLC's units of membership interests are held by Huntsman Corporation.

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

Explanatory Note

This Amendment No. 1 on Form 10-Q/A amends Items 1, 2 and 4 of Part I of the Quarterly Report on Form 10-Q previously filed for the quarter ended September 30, 2006, by Huntsman Corporation and Huntsman International LLC. This Form 10-Q/A is filed in connection with the restatement of our financial statements for the three and nine months ended September 30, 2006. Financial statement information and related disclosures included in this Form 10-Q/A reflect, where appropriate, changes as a result of the restatement. All other information contained in this Form 10-Q/A is as of the date of the original filing. In addition, Exhibits 31.1, 31.2, 32.1 and 32.2 of the original filing have been amended to contain currently dated certifications from our Chief Executive Officer and Chief Financial Officer.

In February 2007, we discovered an error in our calculation of the impairment loss related to the sale of our European base chemicals and polymers business. We concluded that there was \$99.0 million in additional non-cash asset impairment charges recorded in discontinued operations for the three and nine months ended September 30, 2006 related to the sale of our European base chemicals and polymers business. In connection with the sale of the European base chemicals and polymers business, we agreed to take action to remove the accounts receivable of this business from our accounts receivable securitization program so that the purchaser could acquire such accounts receivable. The additional non-cash charges resulted primarily because we had not appropriately included the effect of the re-purchase of these receivables in the determination of the impairment loss.

The significant effects on us and Huntsman International of the restatement are described in Note 23. Restatement to our condensed consolidated financial statements (unaudited).

HUNTSMAN CORPORATION AND SUBSIDIARIES
HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q/A FOR THE QUARTERLY PERIOD
ENDED SEPTEMBER 30, 2006

TABLE OF CONTENTS

PART I **FINANCIAL INFORMATION**

ITEM 1. **Financial Statements:**

Huntsman Corporation and Subsidiaries:

Condensed Consolidated Balance Sheets (Unaudited)

Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income (Unaudited)

Condensed Consolidated Statements of Cash Flows (Unaudited)

Huntsman International LLC and Subsidiaries:

Condensed Consolidated Balance Sheets (Unaudited)

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

Condensed Consolidated Statements of Cash Flows (Unaudited)

Huntsman Corporation and Subsidiaries and Huntsman International LLC and Subsidiaries:

Notes to Condensed Consolidated Financial Statements (Unaudited)

ITEM 2. **Management's Discussion and Analysis of Financial Condition and Results of Operations**

ITEM 4. **Controls and Procedures**

PART II **OTHER INFORMATION**

ITEM 6. **Exhibits**

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In Millions, Except Share and Per Share Amounts)

	September 30, 2006 (As restated, see Note 23)	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 245.8	\$ 142.8
Accounts receivable (net of allowance for doubtful accounts of \$56.9 and \$33.7, respectively)	1,398.0	1,475.2
Accounts receivable from affiliates	17.4	7.4
Inventories, net	1,422.2	1,309.2
Prepaid expenses	73.0	46.2
Deferred income taxes	59.3	31.2
Other current assets	134.2	84.0
Current assets held for sale	401.9	
Total current assets	3,751.8	3,096.0
Property, plant and equipment, net	3,942.1	4,643.2
Investment in unconsolidated affiliates	199.7	175.6
Intangible assets, net	194.9	216.3
Goodwill	91.3	91.2
Deferred income taxes	120.6	94.2
Notes receivable from affiliates		3.0
Other noncurrent assets	471.9	551.0
Noncurrent assets held for sale	531.4	
Total assets	\$ 9,303.7	\$ 8,870.5
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,046.8	\$ 1,093.5
Accrued liabilities	601.3	747.2
Deferred income taxes	24.3	2.4
Current portion of long-term debt	226.8	44.6
Current liabilities held for sale	323.2	
Total current liabilities	2,222.4	1,887.7
Long-term debt	4,099.1	4,413.3
Deferred income taxes	207.7	258.3
Other noncurrent liabilities	851.5	770.2
Noncurrent liabilities held for sale	74.4	
Total liabilities	7,455.1	7,329.5
Minority interests in common stock of consolidated subsidiaries	29.5	20.4
Commitments and contingencies (Notes 13 and 14)		

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Stockholders equity:		
Common stock \$0.01 par value, 1,200,000,000 shares authorized, 221,576,862 issued and 220,639,647 outstanding in 2006 and 221,200,997 issued and 220,451,484 outstanding in 2005	2.2	2.2
Mandatory convertible preferred stock \$0.01 par value, 100,000,000 shares authorized, 5,750,000 issued and outstanding	287.5	287.5
Additional paid-in capital	2,795.4	2,779.8
Unearned stock-based compensation	(14.9	) (11.8
Accumulated deficit	(1,357.8	) (1,505.8
Accumulated other comprehensive income (loss)	106.7	(31.3
Total stockholders equity	1,819.1	1,520.6
Total liabilities and stockholders equity	\$ 9,303.7	\$ 8,870.5

See accompanying notes to unaudited condensed consolidated financial statements.

1

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND

COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

(In Millions, Except Per Share Amounts)

	Three Months Ended September 30, 2006 (As restated, see Note 23)		2005		Nine Months Ended September 30, 2006 (As restated, see Note 23)		2005	
Revenues:								
Trade sales, services and fees	\$	2,665.0	\$	2,562.8	\$	8,024.7	\$	8,040.3
Related party sales		21.0		25.1		63.0		80.7
Total revenues		2,686.0		2,587.9		8,087.7		8,121.0
Cost of goods sold		2,313.1		2,184.2		6,893.7		6,771.9
Gross profit		372.9		403.7		1,194.0		1,349.1
Operating expenses:								
Selling, general and administrative		209.7		161.8		555.8		487.4
Research and development		35.3		22.1		88.6		72.0
Other operating (income) expense		(28.6)	)	7.5		(122.8)	)	42.0
Restructuring, impairment and plant closing costs		3.5		66.6		20.0		91.6
Total expenses		219.9		258.0		541.6		693.0
Operating income		153.0		145.7		652.4		656.1
Interest expense, net		(83.4)	)	(101.1)	)	(264.8)	)	(341.8)
Loss on accounts receivable securitization program		(4.0)	)	(2.8)	)	(10.8)	)	(7.5)
Equity in income of unconsolidated affiliates		0.5		1.8		2.6		7.0
Loss on early extinguishment of debt		(14.5)	)	(41.4)	)	(14.5)	)	(276.4)
Other income (expense)		1.3		(2.5)	)	1.4		(3.3)
Income (loss) from continuing operations before income taxes and minority interest		52.9		(0.3)	)	366.3		34.1
Income tax benefit (expense)		17.4		(13.5)	)	(16.0)	)	(36.9)
Minority interest in subsidiaries income		(0.4)	)	(1.6)	)	(1.1)	)	(1.5)
Income (loss) from continuing operations		69.9		(15.4)	)	349.2		(4.3)
(Loss) income from discontinued operations, net of tax		(259.4)	)	(14.5)	)	(257.3)	)	30.7
(Loss) income before extraordinary gain and accounting change		(189.5)	)	(29.9)	)	91.9		26.4
Extraordinary gain on the acquisition of a business, net of tax of nil		7.2				57.7		
Cumulative effect of change in accounting principle, net of tax of \$1.9								4.0
Net (loss) income		(182.3)	)	(29.9)	)	149.6		30.4
Preferred stock dividends								(43.1)
Net (loss) income available to common stockholders	\$	(182.3)	)	\$	(29.9)	)	\$	149.6
							\$	(12.7)
Net (loss) income	\$	(182.3)	)	\$	(29.9)	)	\$	149.6
Other comprehensive income (loss)		57.7		(25.4)	)	138.0		(177.0)
Comprehensive (loss) income	\$	(124.6)	)	\$	(55.3)	)	\$	287.6
							\$	(146.6)

(continued)

2

HUNTSMAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE (LOSS) INCOME (UNAUDITED) CONTINUED

(In Millions, Except Per Share Amounts)

	Three Months Ended September 30, 2006 (As restated, see Note 23)		Nine Months Ended September 30, 2006 (As restated, see Note 23)	
	2005		2005	
Basic income (loss) per share:				
Income (loss) from continuing operations	\$ 0.32	\$ (0.07)	\$ 1.58	\$ (0.22)
(Loss) income from discontinued operations, net of tax	(1.18)	(0.07)	(1.16)	0.14
Extraordinary gain on the acquisition of a business, net of tax	0.03		0.26	
Cumulative effect of change in accounting principle, net of tax				0.02
Net (loss) income	\$ (0.83)	\$ (0.14)	\$ 0.68	\$ (0.06)
Weighted average shares	220.6	220.5	220.6	220.5
Diluted income (loss) per share:				
Income (loss) from continuing operations	\$ 0.30	\$ (0.07)	\$ 1.50	\$ (0.22)
(Loss) income from discontinued operations, net of tax	(1.11)	(0.07)	(1.11)	0.14
Extraordinary gain on the acquisition of a business, net of tax	0.03		0.25	
Cumulative effect of change in accounting principle, net of tax				0.02
Net (loss) income	\$ (0.78)	\$ (0.14)	\$ 0.64	\$ (0.06)
Weighted average shares	233.2	220.5	233.1	220.5

See accompanying notes to unaudited condensed consolidated financial statements.

HUNTSMAN CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in Millions)

	Nine Months Ended September 30,	
	2006	2005
	(As restated see Note 23)	
Operating Activities:		
Net income	\$ 149.6	\$ 30.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Extraordinary gain on the acquisition of a business, net of tax	(57.7))
Cumulative effect of change in accounting principle, net of tax		(4.0)
Equity in income of unconsolidated affiliates	(2.6)	(7.0)
Depreciation and amortization	353.2	372.9
Provision for losses on accounts receivable	3.5	12.2
(Gain) loss on disposal of assets	(92.4)	3.6
Loss on pending disposal of discontinued operations	280.2	36.4
Loss on early extinguishment of debt	14.5	276.4
Noncash interest (income) expense	(5.9)	46.0
Noncash restructuring, impairment and plant closing costs	16.8	40.8
Deferred income taxes	2.0	67.8
Net unrealized (gain) loss on foreign currency transactions	(8.7)	21.5
Stock-based compensation	13.0	6.4
Minority interest in subsidiaries income	1.1	1.5
Other, net	(0.2)	(16.4)
Changes in operating assets and liabilities:		
Accounts receivable	182.2	132.3
Inventories, net	(18.6)	(109.9)
Prepaid expenses	(39.2)	(12.1)
Other current assets	(13.0)	(1.2)
Other noncurrent assets	(20.0)	17.4
Accounts payable	68.5	(64.7)
Accrued liabilities	(204.5)	(115.0)
Other noncurrent liabilities	(10.9)	(26.0)
Net cash provided by operating activities	610.9	709.3
Investing Activities:		
Capital expenditures	(327.0)	(202.0)
Acquisition of business, net of cash acquired	(173.2))
Investment in unconsolidated affiliates, net	(13.6)	(2.9)
Proceeds from sale of assets	209.0	10.6
Net proceeds from (investment in) government securities, restricted as to use	10.8	(33.7)
Change in restricted cash		8.9
Other, net	(1.0))
Net cash used in investing activities	(295.0)	(219.1)
Financing Activities:		
Net borrowings (repayments) under revolving loan facilities	62.8	(117.1)
Net (repayments) borrowings on overdraft	(4.7)	17.3
Repayment of long-term debt	(422.4)	(3,685.1)
Proceeds from long-term debt	137.2	1,873.1
Debt issuance costs paid	(3.3)	(15.8)
Call premiums related to early extinguishment of debt	(12.5)	(109.0)
Net borrowings on notes payable	32.7	12.5

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Dividend paid to preferred stockholders	(10.8)	(7.2)
Net proceeds from issuance of common and preferred stock			1,491.9	
Contribution from minority shareholder	6.2		3.6	
Other, net			4.8	
Net cash used in financing activities	(214.8	)	(531.0)
Effect of exchange rate changes on cash	1.9		(2.6)
Increase (decrease) in cash and cash equivalents	103.0		(43.4)
Cash and cash equivalents at beginning of period	142.8		243.2	
Cash and cash equivalents at end of period	\$	245.8	\$	199.8
Supplemental cash flow information:				
Cash paid for interest	\$	314.6	\$	348.5
Cash paid for income taxes	27.8		19.6	

See accompanying notes to unaudited condensed consolidated financial statements.

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

(Dollars in Millions)

	September 30, 2006 (As restated, see Note 23)	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 229.5	\$ 132.5
Accounts receivable (net of allowance for doubtful accounts of \$56.9 and \$33.7, respectively)	1,398.0	1,475.2
Accounts receivable from affiliates	22.9	10.4
Inventories, net	1,422.2	1,309.2
Prepaid expenses	72.1	45.9
Deferred income taxes	56.8	31.2
Other current assets	120.0	69.9
Current assets held for sale	401.9	
Total current assets	3,723.4	3,074.3
Property, plant and equipment, net	3,707.8	4,336.7
Investment in unconsolidated affiliates	199.7	175.6
Intangible assets, net	200.0	222.0
Goodwill	91.3	91.2
Deferred income taxes	120.6	94.2
Notes receivable from affiliates		3.0
Other noncurrent assets	561.0	636.0
Noncurrent assets held for sale	500.1	
Total assets	\$ 9,103.9	\$ 8,633.0
LIABILITIES AND MEMBERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,046.8	\$ 1,092.7
Accounts payable to affiliates	4.6	8.7
Accrued liabilities	585.6	732.3
Deferred income taxes	32.9	2.4
Current portion of long-term debt	226.6	44.6
Current liabilities held for sale	314.6	
Total current liabilities	2,211.1	1,880.7
Long-term debt	4,099.1	4,413.3
Deferred income taxes	194.4	216.9
Other noncurrent liabilities	892.5	770.0
Noncurrent liabilities held for sale	51.7	
Total liabilities	7,448.8	7,280.9
Minority interests in common stock of consolidated subsidiaries	29.5	20.4
Commitments and contingencies (Notes 13 and 14)		
Members equity:		
Members equity, 2,728 units issued and outstanding	2,806.8	2,794.0
Accumulated deficit	(1,254.2)	(1,384.0)

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Accumulated other comprehensive income (loss)	73.0	(78.3)
Total members equity	1,625.6	1,331.7	
Total liabilities and members equity	\$ 9,103.9	\$ 8,633.0	

See accompanying notes to unaudited condensed consolidated financial statements.

5

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(Dollars in Millions)

Three Months Ended		Nine Months Ended	
September 30,		September 30,	
2006	2005	2006	2005

(As restated,
see Note 23)

(As restated,
see Note 23)

Revenues:

Trade sales, services and fees