

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

-----  
FORM 10-Q  
-----

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000  
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 333-88057

HUNTSMAN ICI HOLDINGS LLC

-----  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

87-0630359  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

500 HUNTSMAN WAY  
SALT LAKE CITY, UTAH  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

84108  
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (801) 584-5700

INDICATE BY A 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. YES  NO

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

INDICATE BY CHECK MARK WHETHER THE REGISTRANT HAS FILED ALL  
DOCUMENTS AND REPORTS REQUIRED TO BE FILED BY SECTION 12, 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934 SUBSEQUENT TO THE DISTRIBUTION OF  
SECURITIES UNDER A PLAN CONFIRMED BY A COURT.  
YES  NO

AT AUGUST 11, 2000, 1000 MEMBER EQUITY UNITS OF HUNTSMAN ICI  
HOLDINGS LLC WERE OUTSTANDING.

HUNTSMAN ICI HOLDINGS LLC AND SUBSIDIARIES

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000

TABLE OF CONTENTS

	PAGE ----
Part I - Financial Information	
Item 1. - Financial Statements	
Consolidated Condensed Balance Sheets	2
Consolidated Statements of Operations and Comprehensive Income	3
Consolidated Condensed Statements of Cash Flows	5
Footnotes to Interim Financial Statements	6
Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3. - Quantitative and Qualitative Disclosures about Market Risk	14
Part II - Other Information	
Item 6. - Exhibits and Reports on Form 8-K	15

PART I

ITEM 1. FINANCIAL STATEMENTS

HUNTSMAN ICI HOLDINGS LLC AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(Millions of Dollars)

	June 30, 2000 (Unaudited) -----	December 31, 1999 -----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 122.2	\$ 138.9
Accounts and notes receivable, net	682.4	629.4
Inventories	383.5	381.3
Other current assets	85.0	79.3
TOTAL CURRENT ASSETS	1,273.1	1,228.9
Properties, plant and equipment, net	2,650.8	2,656.2
Other noncurrent assets	799.6	893.4
TOTAL ASSETS	\$ 4,723.5	\$ 4,778.5
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 714.3	\$ 676.4
Current portion of long-term debt	75.5	51.7
Other current liabilities	10.9	44.1
TOTAL CURRENT LIABILITIES	800.7	772.2

Long-term debt	2,901.2	2,951.6
Other noncurrent liabilities	462.5	481.6
	-----	-----
TOTAL LIABILITIES	4,164.4	4,205.4
	-----	-----
MINORITY INTERESTS	9.0	8.0
	-----	-----
EQUITY:		
Members' equity, 1,000 units	518.1	518.1
Retained earnings	116.7	49.7
Accumulated other comprehensive loss	(84.7)	(2.7)
	-----	-----
TOTAL EQUITY	550.1	565.1
	-----	-----
TOTAL LIABILITIES AND EQUITY	\$ 4,723.5	\$ 4,778.5
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

HUNTSMAN ICI HOLDINGS LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME  
(Unaudited)  
(Millions of Dollars)

	HSCC PREDECESSOR COMPANY		HSCC PREDECESSOR COMPANY	
	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
REVENUES:				
Trade sales and services	\$ 1,025.6	\$ 75.2	\$ 1,957.3	\$ 134.0
Related party sales	121.0	18.2	232.0	29.0
Tolling fees	8.1	15.2	20.3	29.0
	-----	-----	-----	-----
TOTAL REVENUES	1,154.7	108.6	2,209.6	192.0
COST OF GOODS SOLD	948.9	72.4	1,822.5	134.1
	-----	-----	-----	-----
GROSS PROFIT	205.8	36.2	387.1	57.9
EXPENSES:				
Selling, general and administrative	57.6	1.3	125.2	3.2
Research and development	17.9	1.2	35.8	2.1
	-----	-----	-----	-----
TOTAL EXPENSES	75.5	2.5	161.0	5.3
	-----	-----	-----	-----
OPERATING INCOME	130.3	33.7	226.1	52.6
INTEREST EXPENSE, NET	71.8	8.7	143.1	18.1
OTHER EXPENSE	1.3	-	1.7	-
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	57.2	25.0	81.3	34.5
INCOME TAX EXPENSE	9.1	9.5	13.0	13.1
MINORITY INTERESTS IN SUBSIDIARIES	0.8	-	1.3	-
	-----	-----	-----	-----
NET INCOME	47.3	15.5	67.0	21.4
Preferred stock dividends	-	1.1	-	2.2
Net income available to common equity holders	47.3	14.4	67.0	19.2
Other comprehensive loss - foreign currency translation adjustments	(37.1)	-	(82.0)	-
	-----	-----	-----	-----
COMPREHENSIVE INCOME	\$ 10.2	\$ 14.4	\$ (15.0)	\$ 19.2
	=====	=====	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

HUNTSMAN ICI HOLDINGS LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EQUITY  
(Unaudited)  
(Millions of Dollars)

	MEMBERS' EQUITY UNITS	EQUITY AMOUNT	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
	-----	-----	-----	-----	-----
Balance, January 1, 2000	1,000	\$ 518.1	\$ 49.7	\$ (2.7)	\$ 565.1
Net income			67.0		67.0
Foreign currency translation adjustments				(82.0)	(82.0)
Balance, June 30, 2000	1,000	\$ 518.1	\$ 116.7	\$ (84.7)	\$ 550.1
	=====	=====	=====	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

HUNTSMAN ICI HOLDINGS LLC AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(Millions of Dollars)

	HSCC PREDECESSOR COMPANY	
	SIX MONTHS ENDED JUNE 30,	
	2000	1999
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 67.0	\$ 21.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	106.4	15.6
Interest on subordinated note	34.1	3.6
Other non-cash adjustments to net income	4.5	6.6
Net changes in operating assets and liabilities	(80.4)	(6.7)
NET CASH PROVIDED BY OPERATING ACTIVITIES	131.6	40.5
INVESTING ACTIVITIES:		
Acquisition of assets	(26.8)	
Cash received from unconsolidated affiliates	5.2	
Advances to unconsolidated affiliates	(8.5)	
Capital expenditures	(73.8)	(4.0)
NET CASH USED IN INVESTING ACTIVITIES	(103.9)	(4.0)
FINANCING ACTIVITIES:		
Repayments of long-term debt	(36.9)	(35.0)
NET CASH USED IN FINANCING ACTIVITIES	(36.9)	(35.0)
Effect of exchange rate changes on cash	(7.5)	-
Increase (decrease) in cash and cash equivalents	(16.7)	1.5
Cash and cash equivalents at beginning of period	138.9	2.6
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 122.2	\$ 4.1
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

HUNTSMAN ICI HOLDINGS LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED)

1. BASIS OF PRESENTATION

Effective June 30, 1999, pursuant to a contribution agreement and ancillary agreements between Huntsman ICI Holdings LLC ("Holdings" or the "Company"), Huntsman Specialty Chemicals Corporation ("HSCC"), Imperial Chemicals Industries PLC ("ICI") and Huntsman ICI Chemicals LLC ("Chemicals"), the Company acquired assets and stock representing ICI's polyurethane chemicals, selected petrochemicals (including ICI's 80% interest in the Wilton olefins facility) and titanium dioxide businesses and HSCC's propylene oxide business. In addition, the Company also acquired the remaining 20% ownership interest in the Wilton olefins facility from BP Chemicals, Limited ("BP Chemicals") (together, the "Transaction").

The Company, through its wholly-owned subsidiary Chemicals, manufactures products used in a wide variety of industrial and consumer-related applications. The Company's principal products are methylene diphenyl diisocyanate ("MDI"), propylene oxide ("PO"), methyl tertiary butyl ether ("MTBE"), ethylene, propylene, and titanium dioxide ("TiO2"). The Company is a wholly-owned subsidiary of Holdings.

The accompanying consolidated condensed financial statements of the Company are unaudited. However, in management's opinion, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation of results of operations, financial position and cash flows for the periods shown, have been made. Results for interim periods are not necessarily indicative of those to be expected for the full year. These financial statements should be read in conjunction with the audited financial statements and notes to consolidated financial statements included in the Company's 1999 annual report on form 10-K, filed with the Securities and Exchange Commission on March 22, 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain 1999 amounts have been reclassified to conform to the 2000 presentation.

3. INVENTORIES

Inventories consist of the following (in millions):

	June 30, 2000 -----	December 31, 1999 -----
Raw materials	\$ 102.1	\$ 97.8
Work in progress	17.0	20.6

Finished goods	242.0	225.6
	-----	-----
SUBTOTAL	361.1	344.0
Materials and supplies	22.4	37.3
	-----	-----
TOTAL	\$ 383.5	\$ 381.3
	=====	=====

#### 4. COMMITMENTS AND CONTINGENCIES

The Company is involved in litigation from time to time in the ordinary course of its business. In management's opinion, after consideration of indemnifications, none of such litigation is material to the Company's financial condition or results of operations. The Company has entered into various purchase commitments for materials and supplies in the ordinary course of business. These agreements extend from three to ten years and the purchase price is generally based on market prices subject to certain minimum price provisions.

#### 5. ENVIRONMENTAL MATTERS

The operation of any chemical manufacturing plant, the distribution of chemical products and the related production of by-products and wastes, entail risk of adverse environmental effects. The Company is subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to pollution, the 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, the Company is subject continually to environmental inspections and monitoring by governmental enforcement authorities. The Company may incur substantial costs, including fines, damages and criminal or civil sanctions, or experience interruptions in our operations for actual or alleged violations arising under any environmental laws. In addition, production facilities require operating permits that are subject to renewal, modification and, in some circumstances, revocation. Violations of permit requirements can also result in restrictions or prohibitions on plant operations, substantial fines and civil or criminal sanctions. The Company's operations involve the generation, handling, transportation, use and disposal of numerous hazardous substances. Changes in regulations regarding the generation, handling, transportation, use and disposal of hazardous substances could inhibit or interrupt operations and have a material adverse effect on business. From time to time, these operations may result in violations under environmental laws, including spills or other releases of hazardous substances to the environment. In the event of a catastrophic incident, the Company could incur material costs as a result of addressing and implementing measures to prevent such incidents. Given the nature of the Company's business, there can be no assurance that violations of environmental laws will not result in restrictions imposed on the Company's operating activities, substantial fines, penalties, damages or other costs. In addition, potentially significant expenditures could be necessary in order to comply with existing or future environmental laws. In management's opinion, after consideration of indemnifications, there are no environmental matters which are material to the company's financial condition or results of operations.

#### 6. INDUSTRY SEGMENT AND GEOGRAPHIC AREA INFORMATION

The Company derives its revenues, earnings and cash flows from the manufacture and sale of a wide variety of specialty and commodity chemical products. The Company manages its businesses in three segments, Specialty Chemicals (the former ICI polyurethanes business and HSCC's propylene oxide business); Petrochemicals (the petrochemicals businesses acquired from ICI and BP Chemicals); and Tioxide (the titanium dioxide business acquired from ICI).

The major products of each business group are as follows:

SEGMENT	PRODUCTS
Specialty Chemicals	MDI, toluene diisocyanate, polyols, aniline, PO and MTBE
Petrochemicals	Ethylene, propylene, benzene, cyclohexane and paraxylene
Tioxide	TiO2

Sales between segments are generally recognized at external market prices. For the three and six months ended June 30, 2000, sales to ICI and its affiliates accounted for approximately 8% of consolidated revenues.

	HSCC PREDECESSOR COMPANY		HSCC PREDECESSOR COMPANY	
	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
NET SALES:				
Specialty Chemicals	\$ 549.0	\$ 108.6	\$ 1,040.2	\$ 192.0
Petrochemicals	376.0		721.3	
Tioxide	255.7		497.2	
Sales between segments, Petrochemical sales to Specialty Chemicals	(26.0)		(49.1)	
TOTAL	\$ 1,154.7	\$ 108.6	\$ 2,209.6	\$ 192.0
OPERATING INCOME:				
Specialty Chemicals	\$ 67.3	\$ 33.7	\$ 129.4	\$ 52.6
Petrochemicals	21.8		21.6	
Tioxide	41.2		75.1	
TOTAL	\$ 130.3	\$ 33.7	\$ 226.1	\$ 52.6
EBITDA (1):				
Specialty Chemicals	\$ 97.2	\$ 41.4	\$ 188.3	\$ 68.2
Petrochemicals	33.5		44.8	
Tioxide	51.8		97.7	
TOTAL EBITDA	182.5	41.4	330.8	68.2
Depreciation & amortization	(53.5)	(7.7)	(106.4)	(15.6)
Interest expense, net	(71.8)	(8.7)	(143.1)	(18.1)
INCOME BEFORE INCOME TAXES	\$ 57.2	\$ 25.0	\$ 81.3	\$ 34.5

(1) EBITDA is defined as earnings from continuing operations before interest expense, depreciation and amortization, and taxes.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### CAUTIONARY STATEMENT FOR FORWARD LOOKING INFORMATION

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

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

THREE AND SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO THREE AND SIX MONTHS ENDED JUNE 30, 1999 (PRO FORMA)

In order to present data which is useful for comparative purposes, the following tabular data for 2000 and pro forma 1999 and related discussion, have been prepared as if the Transaction (excluding the acquisition of 20% of the Wilton olefins facility in June 1999 from BP Chemicals) had taken place in January 1999. These results do not necessarily reflect the results which would have been obtained if the Transaction actually occurred on the date indicated, or the results which may be expected in the future.

	(MILLIONS OF DOLLARS)			
	THREE MONTHS ENDED JUNE 30, 2000	JUNE 30, 1999 (PRO FORMA)	SIX MONTHS ENDED JUNE 30, 2000	JUNE 30, 1999 (PRO FORMA)
Specialty Chemicals sales	\$ 549	\$ 478	\$ 1,040	\$ 897
Petrochemical sales	350	273	673	494
Tioxide sales	256	264	497	494
Total revenues	1,155	1,015	2,210	1,885
Cost of goods sold	949	796	1,823	1,504
Gross profit	206	219	387	381
Expenses of selling, general, administrative, research and development	76	108	161	212
Operating income	130	111	226	169
Interest expense, net	72	73	143	145
Other expense	1	-	1	-
Net income before income taxes and minority interest	57	38	82	24
Income tax expense	9	7	13	10
Minority interests in subsidiaries	1	-	2	-
Net income	\$ 47	\$ 31	\$ 67	\$ 14
Depreciation and amortization	\$ 54	\$ 45	\$ 106	\$ 90
EBITDA (1)	\$ 183	\$ 156	\$ 331	\$ 259
Net reduction in corporate overhead allocation and insurance expenses	-	5	-	11
Rationalization of TiO2 operations	-	3	-	5
Adjusted EBITDA	\$ 183	\$ 164	\$ 331	\$ 275

(1) EBITDA is defined as earnings from continuing operations before interest expense, depreciation and amortization, and taxes. EBITDA is included in this report because it is a basis on which we assess our financial performance and debt service capabilities, and 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 cash flow from operations, net income or other measures of performance as defined by GAAP or as a measure of a company's profitability or liquidity. We understand that while EBITDA is frequently used by security analysts, lenders and others in their evaluation of companies, EBITDA as used herein is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation.

RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED JUNE 30, 2000 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 1999 (PRO FORMA)

REVENUES. Revenues for the business in the three months ended June 30, 2000 increased by \$140 million, or 14%, to \$1,155 million from \$1,015 million



during the same period in 1999.

Specialty Chemicals - Total MDI sales volumes increased by 15% from the 1999 period. A strong recovery in the Asian economies led to an increase in sales volumes of 17%, while in Europe sales volumes grew by 17%. In the Americas, sales volumes grew by 13% following the completion of the MDI expansion project at our Geismar, Louisiana facility. Polyol sales volumes grew by 18% with the increase attributable to the European region. PO sales volumes increased 11% as a result of higher sales to polyol customers. Average sales prices of MTBE increased by 77% compared to the 1999 period due largely to higher gasoline prices. These gains were partially offset by an 8% decrease in average selling prices for MDI and a 15% decrease in the price of polyols compared to the same period in 1999, a substantial portion of which was due to a weakening in the value of the Euro versus the U.S. dollar.

Petrochemicals - Sales volumes of ethylene and propylene increased by 63% and 46% respectively. In addition to the volume attributable to the 20% of the olefins facility acquired from BP Chemicals on June 30, 1999, increases were attributable to increased customer demand. In aromatics, paraxylene and cyclohexane sales volumes fell by 6% and 6% respectively. Sales volumes of cumene increased reflecting the resolution of production problems encountered in 1999. Ethylene prices rose 94%, propylene 107%, cyclohexane 54% and paraxylene 66% due to higher feedstock prices and improved market conditions. Revenues for the three months ended June 30, 1999 included \$96 million relating to crude oil trading. This activity was discontinued following the consummation of the Transaction.

Tioxide - Sales volume remained relatively unchanged in 2000 compared to the 1999 period. Western European volumes grew by 7%, but were offset by an 11% decrease in Asia. Overall average selling prices decreased by 2%. While local selling prices rose in the North American, Asian, South African and European markets, these increases were more than offset by the Euro's continued weakening against the U.S. dollar.

GROSS PROFIT. Gross profit for the business in the three months ended June 30, 2000 decreased by \$13 million, or 6%, to \$206 million from \$219 million during the same period in 1999.

Specialty Chemicals - MDI and polyols benefited from increased sales volumes, however, this benefit was more than offset by a substantial increase in prices for the major raw materials for MDI, namely benzene and chlorine. The decreased gross profit in PO was attributable to an increase in the cost of PO's major raw material, propylene. This increase in the cost of PO's raw materials more than offset the increase in PO's selling price. In addition, changes in the PO sales mix, along with higher utility costs associated with higher natural gas prices resulted in lower gross profit.

Petrochemicals - Gross profit improved over the same period in 1999, due to the effect of higher sales volumes. In addition, higher sales prices were only partially offset by higher feedstock prices.

Tioxide -Gross profit improved over the same period in 1999 due mainly to reductions in production costs resulting from Tioxide's ongoing manufacturing excellence program. The adverse impact of exchange rates on selling prices has been partially offset by a favorable impact on local currency costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (INCLUDING RESEARCH AND DEVELOPMENT EXPENSES). Selling, general and administrative expenses (including research and development expenses) ("SG&A") in the three months ended June 30, 2000 decreased by \$32 million, or 30%, to \$76 million from \$108 million for the same period in 1999. The decrease was primarily a result of one-time expenses relating to restructuring and pension costs incurred in the three months ended June 30, 1999. SG&A expenses also decreased as a result of ongoing restructuring activities and lower

corporate overhead allocations following the Transaction.

INTEREST EXPENSE. Net interest expense in the three months ended June 30, 2000 was relatively unchanged from the same period in 1999.

INCOME TAXES. The effective income tax rate declined in the three months ended June 30, 2000 from the same period in 1999 due to a greater share of the income being earned in the U.S., which income is not subject to U.S. Federal income tax at the company level.

NET INCOME. Net income in the three months ended June 30, 2000 increased by \$16 million to \$47 million from \$31 million during the same period in 1999 as a result of the factors discussed above.

FOR THE SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 1999 (PRO FORMA)

REVENUES. Revenues for the business in the six months ended June 30, 2000 increased by \$325 million, or 17%, to \$2,210 million from \$1,885 million during the same period in 1999.

Specialty Chemicals - Total MDI sales volumes increased by 18% from the 1999 period. A strong recovery in the Asian economies led to an increase in sales volumes of 29%, while in Europe sales volumes grew by 20%. In the Americas, sales volumes grew by 14% following the completion of the MDI expansion project at our Geismar, Louisiana facility. Polyol sales volumes grew by 22% with the increase attributable to the European and U.S. regions. PO sales volumes increased 17% as a result of higher production rates. Average sales prices of MTBE in the six months ended June 30, 2000 increased by 85% compared to the 1999 period due largely to higher gasoline prices. These gains were partially offset by a 9% decrease in average selling prices for MDI and a 14% decrease in the price of polyols compared to the same period in 1999, a substantial portion of which was due to a weakening in the value of the Euro versus the U.S. dollar.

Petrochemicals - Sales volumes of ethylene and propylene increased by 58% and 38% respectively. In addition to the volume attributable to the 20% of the olefins facility acquired from BP Chemicals on June 30, 1999, increases were attributable to increased customer demand. In aromatics, paraxylene and cyclohexane sales volumes rose by 9% and 2% respectively. Sales volumes of cumene increased reflecting the resolution of production problems encountered in 1999. Ethylene prices rose 80%, propylene 95%, cyclohexane 51% and paraxylene 61% due to higher feedstock prices and improved market conditions. Revenues for six months ended June 30, 1999 included \$160 million relating to crude oil trading. This activity was discontinued following the consummation of the Transaction.

Tioxide - Sales volume increased by 4% in 2000 compared to the 1999 period with demand strong worldwide. Western European and North American volumes grew by 9% and 1% respectively, while the strengthening of the Asian economy impacted positively on volumes and prices in that region. Overall the benefits of increased volume were partially offset by a 3% decline in average selling prices. While local selling prices rose in the North American, Asian and South African markets, these increases were more than offset by a decline in European prices resulting from the Euro's continued weakening against the U.S. dollar.

GROSS PROFIT. Gross profit for the business in the six months ended June 30, 2000 increased by \$6 million, or 2%, to \$387 million from \$381 million during the same period in 1999.

Specialty Chemicals - MDI and polyols benefited from increased sales volumes, however, this benefit was more than offset by an increase in prices for the major raw materials for MDI, namely benzene and chlorine. The increased gross profit in PO was attributable to higher PO production rates and increased MTBE selling prices compared to the same period in

1999. These increases were partially offset by an increase in the cost of PO's major raw materials: isobutane, methanol and propylene.

Petrochemicals - Gross profit improved over the same period in 1999, due to the effect of higher sales volumes. In addition, higher sales prices were only partially offset by higher feedstock prices.

Tioxide - Increased volume led to improved gross profit in 2000 compared to the 1999 period. The adverse impact of exchange rates on gross profit was more than offset by the general increase in local selling prices and fixed production cost savings as a result of Tioxide's ongoing manufacturing excellence program.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (INCLUDING RESEARCH AND DEVELOPMENT EXPENSES). Selling, general and administrative expenses (including research and development expenses) ("SG&A") in the six months ended June 30, 2000 decreased by \$51 million, or 24%, to \$161 million from \$212 million for the same period in 1999. The decrease was primarily a result of one-time expenses relating to restructuring and pension costs incurred in the six months ended June 30, 1999. SG&A expenses also decreased as a result of ongoing restructuring activities and lower corporate overhead allocations following the Transaction.

INTEREST EXPENSE. Net interest expense in the six months ended June 30, 2000 was relatively unchanged from the same period in 1999.

INCOME TAXES. The effective income tax rate declined in the six months ended June 30, 2000 from the same period in 1999 due to a greater share of the income being earned in the U.S., which income is not subject to U.S. Federal income tax at the company level.

NET INCOME. Net income in the six months ended June 30, 2000 increased by \$53 million to \$67 million from \$14 million during the same period in 1999 as a result of the factors discussed above.

#### LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2000, we had no outstanding borrowings under our \$400 million revolving credit facility and had approximately \$122 million in cash balances. We also maintain \$80 million of short-term overdraft facilities, of which \$80 million was available on June 30, 2000. We anticipate that borrowings under the credit facilities and cash flow from operations will be sufficient for us to make required payments of principal and interest on our debt when due, as well as to fund capital expenditures.

#### RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No.133 established accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as assets or liabilities in the balance sheet and measure those instruments at fair value. SFAS No.133 is effective for financial statements for the year ending December 31, 2001. The Company is currently evaluating the effects of SFAS No.133 on its financial statements.

#### SUBSEQUENT EVENT

On July 20, 2000, we announced our intent to acquire the assets which comprise the Rohm and Haas Company global thermoplastic polyurethanes business for a total purchase price of approximately \$120 million. The business operates manufacturing facilities located in Osnabruck, Germany and Ringwood, Illinois and generated net sales of approximately \$79 million during the fiscal year ended June 30, 2000.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risk, including changes in interest rates, currency exchange rates, and certain commodity prices. Our exposure to foreign currency market risk is limited since sales prices are typically denominated in Euros or U.S. dollars. To the extent we have material foreign currency exposure on known transactions, hedges are put in place monthly to mitigate such market risk. Our exposure to changing commodity prices is also limited (on an annual basis) since the majority of raw material is acquired at posted or market related prices, and sales prices for finished products are generally at market related prices which are set on a quarterly basis in line with industry practice. To manage the volatility relating to these exposures, 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. Historically, the businesses transferred to us by ICI have managed the majority of their foreign currency exposures by entering into short-term forward foreign exchange contracts with ICI. In addition, short-term exposures to changing foreign currency exchange rates at certain of our foreign subsidiaries were managed, and will continue to be managed, through financial market transactions, principally through the purchase of forward foreign exchange contracts (with maturities of six months or less) with various financial institutions. While the overall extent of our currency hedging activities has not changed significantly, we have altered the scope of our currency hedging activities to reflect the currency denomination of our cash flows. In addition, we are now conducting our currency hedging activities for our exposures arising in connection with the businesses transferred to us by ICI with various financial institutions. 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 June 30, 2000, we have outstanding in the notional amount of approximately \$65 million equivalent of foreign exchange forward contracts with third party banks with final settlement of not more than 45 days. Predominantly, our hedging activity is to sell forward the majority of our surplus non-U.S. dollar receivables for U.S. dollars. Using sensitivity analysis, the foreign exchange loss due to these derivative instruments from an assumed 10% unfavorable change in year-end rates, when considering the effects of the underlying hedged firm commitment, is not material.

Historically, Huntsman Specialty used interest rate swaps, caps and collar transactions entered into with various financial institutions to hedge against the movements in market interest rates associated with its floating rate debt obligations. We do not hedge our interest rate exposure in a manner that would entirely eliminate the effects of changes in market interest rates on our cash flow and earnings. Under the terms of our senior secured credit facilities, we are required to hedge a significant portion of our floating rate debt. As a result, we have entered into approximately \$700 million notional amount of interest rate swap, cap and collar transactions, approximately \$650 million of which have terms ranging from approximately three years to five years. The majority of these transactions hedge against movements in U.S. dollar interest rates. The U.S. dollar swap transactions obligate us to pay fixed amounts ranging from approximately 5.50% to approximately 7.00%. The U.S. dollar collar transactions carry floors ranging from 5.00% to 6.00% and caps ranging from 6.60% to 7.50%. We have also entered into a Euro-denominated swap transaction that obligates us to pay a fixed rate of approximately 4.3%. Assuming a 1% (100 basis point) increase in U.S. dollar interest rates, the effect on the annual interest expense would be an increase of approximately \$16 million. This increase would be reduced by approximately \$4 million as a result of the effects of the interest rate swap, cap and collar transactions described above.

In order to reduce our overall raw material costs, our petrochemical business enters into various commodity contracts to hedge its purchase of commodity products. We do not hedge our commodity exposure in a manner that would entirely eliminate the effects of changes in commodity prices on our

cash flows and earnings. At June 30, 2000, the Company had forward purchase and sales contracts for 191,000 and 115,000 tons (naphtha and other hydrocarbons), respectively, which do not qualify for hedge accounting. Assuming a 10% increase and a 10% decrease in the price per ton of naphtha, the change would result in gains and losses of approximately \$2 million, respectively.

PART II

ITEM 6.

- a) Exhibit 27 - Financial Data Schedule
- b) The Company filed no reports on Form 8-K for the quarter ended June 30, 2000.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, HUNTSMAN ICI HOLDINGS LLC HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF EVERBERG, COUNTRY OF BELGIUM, ON THE 11TH DAY OF AUGUST, 2000.

HUNTSMAN ICI HOLDINGS LLC

By: /s/ L. Russell Healy

-----  
L. Russell Healy  
Senior Vice President and  
Finance Director

<ARTICLE> 5  
<LEGEND>

This schedule contains summary financial information extracted from the second quarter 10-Q and is qualified in its entirety by reference to such 10-Q.

</LEGEND>  
<MULTIPLIER> 1000

<PERIOD-TYPE>	3-MOS	3-MOS	6-MOS	6-MOS
<FISCAL-YEAR-END>	DEC-31-2000	DEC-31-1999	DEC-31-2000	DEC-31-1999
<PERIOD-START>	MAR-31-2000	MAR-31-1999	JAN-01-2000	JAN-01-1999
<PERIOD-END>	JUN-30-2000	JUN-30-1999	JUN-30-2000	JUN-30-1999
<CASH>	0	0	122,200	0
<SECURITIES>	0	0	0	0
<RECEIVABLES>	0	0	690,600	0
<ALLOWANCES>	0	0	8,200	0
<INVENTORY>	0	0	383,500	0
<CURRENT-ASSETS>	0	0	1,273,100	0
<PP&E>	0	0	2,864,100	0
<DEPRECIATION>	0	0	213,300	0
<TOTAL-ASSETS>	0	0	4,723,500	0
<CURRENT-LIABILITIES>	0	0	800,700	0
<BONDS>	0	0	2,901,200	0
<COMMON>	0	0	518,100	0
<PREFERRED-MANDATORY>	0	0	0	0
<PREFERRED>	0	0	0	0
<OTHER-SE>	0	0	32,000	0
<TOTAL-LIABILITY-AND-EQUITY>	0	0	4,723,500	0
<SALES>	1,146,600	93,400	2,189,300	163,000
<TOTAL-REVENUES>	1,154,700	108,600	2,209,600	192,000
<CGS>	948,900	72,400	1,822,500	134,100
<TOTAL-COSTS>	1,024,400	74,900	1,983,500	139,400
<OTHER-EXPENSES>	1,300	0	1,700	0
<LOSS-PROVISION>	0	0	0	0
<INTEREST-EXPENSE>	72,300	8,900	145,200	18,300
<INCOME-PRETAX>	57,200	25,000	81,300	34,500
<INCOME-TAX>	9,100	9,500	13,000	13,100
<INCOME-CONTINUING>	47,300	15,500	67,000	21,400
<DISCONTINUED>	0	0	0	0
<EXTRAORDINARY>	0	0	0	0
<CHANGES>	0	0	0	0
<NET-INCOME>	47,300	15,500	67,000	21,400
<EPS-BASIC>	0	0	0	0
<EPS-DILUTED>	0	0	0	0