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HUNTSMAN INTERNATIONAL LLC FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003
TABLE OF CONTENTS

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2003

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 333-85141

HUNTSMAN INTERNATIONAL LLC

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**87-0630358** (I.R.S. Employer Identification No.

500 Huntsman Way
Salt Lake City, Utah 84108
(801) 584-5700
(Address of principal executive offices and telephone number)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **None**

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. YES ☒ NO ☐

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES ☐ NO ☒

On May 14, 2003, 1,000 member equity units of Huntsman International LLC were outstanding. There is no established trading market for Registrant's units of membership interest. All of Registrant's units of membership interest are held by an affiliate.

HUNTSMAN INTERNATIONAL LLC
FORM 10-Q FOR THE QUARTERLY PERIOD
ENDED MARCH 31, 2003

TABLE OF CONTENTS

		Page
PART I FINANCIAL INFORMATION		1
ITEM 1.	Financial Statements	1
	Consolidated Balance Sheets	1
	Consolidated Statements of Operations and Comprehensive Loss	2
	Consolidated Statement of Equity	3
	Consolidated Statements of Cash Flows	4
	Notes to Consolidated Financial Statements	5
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	29
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	46
ITEM 4.	Controls and Procedures	47
PART II OTHER INFORMATION		47
ITEM 1.	Legal Proceedings	47
ITEM 6.	Exhibits and Reports on Form 8-K	47

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED) (Dollars in Millions)

	March 31, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 49.3	$ 75.4
Accounts and notes receivables (net of allowance for doubtful accounts of $16.3 and $14.5, respectively)	548.9	467.9
Inventories	600.2	561.3
Prepaid expenses	16.7	22.0
Deferred income taxes	31.2	31.2
Other current assets	71.5	75.4
Total current assets	1,317.8	1,233.2
Property, plant and equipment, net	3,049.8	3,071.1
Investment in unconsolidated affiliates	135.3	133.9
Intangible assets, net	295.7	302.8
Other noncurrent assets	338.2	338.8
Total assets	$ 5,136.8	$ 5,079.8
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 324.5	$ 314.8
Accrued liabilities	482.2	523.8
Current portion of long-term debt	1.3	43.9
Other current liabilities	27.6	28.7
Total current liabilities	835.6	911.2
Long-term debt	2,924.2	2,729.9
Deferred income taxes	207.9	215.1
Other noncurrent liabilities	148.8	158.4

Total liabilities	4,116.5	4,014.6
Commitments and contingencies (Notes 15 and 16)		
Equity:		
Member's equity, 1,000 units	1,026.1	1,026.1
Retained earnings	136.5	186.5
Accumulated other comprehensive loss	(142.3)	(147.4)
Total equity	1,020.3	1,065.2
Total liabilities and equity	$ 5,136.8	$ 5,079.8

See accompanying notes to consolidated financial statements.

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED) (Dollars in Millions)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Revenues:		
Trade sales and services	$ 1,188.8	$ 921.1
Related party sales	100.5	76.3
Tolling fees	8.4	0.5
Total revenues	1,297.7	997.9
Cost of goods sold	1,162.3	872.4
Gross profit	135.4	125.5
Expenses:		
Selling, general and administrative	88.6	85.3
Research and development	12.2	12.3
Restructuring and plant closing costs	17.1	—
Total expenses	117.9	97.6
Operating income	17.5	27.9
Interest expense	(64.4)	(53.2)
Interest income	0.8	—
Loss on sale of accounts receivable	(9.6)	(3.6)
Other income (expense)	(2.2)	0.4
Loss before income taxes	(57.9)	(28.5)
Income tax benefit	7.9	31.4
Minority interests in subsidiaries' loss	—	(0.8)
Net income (loss)	(50.0)	2.1
Other comprehensive income (loss)	5.1	(20.9)
Comprehensive loss	$ (44.9)	$ (18.8)

See accompanying notes to consolidated financial statements.

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED) (Dollars in Millions)

	Member's Equity				
	Shares/ Units	Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2003	1,000	$ 1,026.1	$ 186.5	$ (147.4)	$ 1,065.2
Net loss		—	(50.0)	—	(50.0)
Other comprehensive income		—	—	5.1	5.1
Balance, March 31, 2003	1,000	$ 1,026.1	$ 136.5	$ (142.3)	$ 1,020.3

See accompany notes to consolidated financial statements.

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Dollars in Millions)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Cash Flows From Operating Activities:		
Net income (loss)	$ (50.0)	$ 2.1
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	69.0	59.2
Noncash interest expense	3.0	3.4
Deferred income taxes	(9.8)	(34.0)
Loss on foreign currency transactions	(0.7)	(3.1)
Minority interests in subsidiaries	—	0.8
Changes in operating assets and liabilities:		
Accounts and notes receivables	(55.2)	(31.8)
Inventories	(34.1)	21.7
Prepaid expenses	5.3	(5.3)
Other current assets	(15.0)	(0.6)
Other noncurrent assets	(0.8)	4.7
Accounts payable	(0.5)	14.2
Accrued liabilities	(44.2)	(59.8)
Other current liabilities	(0.3)	0.8
Other noncurrent liabilities	0.1	1.7
Net cash used in operating activities	(133.2)	(26.0)
Investing Activities:		
Capital expenditures	(21.8)	(47.2)
Net cash received from unconsolidated affiliates	—	0.9
Advances to unconsolidated affiliates	(2.0)	(0.7)
Proceeds from sale of fixed assets	1.2	—
Net cash used in investing activities	(22.6)	(47.0)
Financing Activities:		
Net borrowings under revolving loan facilities	$ 134.2	$ 95.0

Issuance of senior notes	—	300.0
Repayment of long-term debt	(1.4)	(343.5)
Debt issuance costs	—	(9.6)
Net cash provided by (used in) financing activities	132.8	41.9
Effect of exchange rate changes on cash	(3.1)	3.1
Decrease in cash and cash equivalents	(26.1)	(28.0)
Cash and cash equivalents at beginning of period	75.4	83.9
Cash and cash equivalents at end of period	$ 49.3	$ 55.9
Supplemental cash flow information:		
Cash paid for interest	83.5	76.7
Cash paid for income taxes	3.4	1.0

See accompanying notes to consolidated financial statements.

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. General

Description of Business

Huntsman International LLC and its subsidiaries (collectively, the "Company") are global manufacturers and marketers of differentiated and commodity chemicals. The Company is a Delaware limited liability company and all of its membership interests are owned by Huntsman International Holdings LLC ("HIH"). HIH is a Delaware limited liability company and its membership interests are owned 60% by Huntsman Specialty Chemicals Corporation ("Huntsman Specialty"), and 40% by HMP Equity Holdings Corporation ("HMP").

Huntsman Specialty, a Delaware corporation, is owned 100% by Huntsman Specialty Chemicals Holdings Corporation, a Utah corporation ("HSCHC"), and HSCHC is owned 100% by Huntsman LLC. Huntsman LLC, a Utah limited liability company, is owned 100% by HMP. HMP is a Delaware corporation and is owned 100% by Huntsman Group Inc., a Delaware corporation. Huntsman Group Inc. is owned 100% by Huntsman Holdings, LLC ("Huntsman Holdings"), a Delaware limited liability company. The voting membership interests of Huntsman Holdings are owned by the Huntsman family, MatlinPatterson Global Opportunities Partners, L.P. ("GOP"), Consolidated Press (Finance) Limited ("CPH") and certain members of the Company's senior management. In addition, Huntsman Holdings has issued certain non-voting preferred units to Huntsman Holdings Preferred Member LLC, which, in turn, is owned by GOP (indirectly), CPH, the Huntsman Cancer Foundation, certain members of the Company's senior management and certain members of the Huntsman family. The Huntsman family has board and operational control of the Company.

The Company operates through four principal operating segments: Polyurethanes, Performance Products, Pigments and Base Chemicals.

Interim Financial Statements

The accompanying consolidated 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 consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of the Company include its majority-owned subsidiaries. Intercompany transactions and balances are eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash Flow Information

Highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

Securitization of Accounts Receivable

The Company securitizes certain trade receivables in connection with a revolving securitization program. The Company retains the servicing rights which are a retained interest in the securitized receivables. Losses are recorded on the sale and are based on the carrying value of the receivables as allocated between the receivables sold and the retained interests and their relative fair value at the date of the transfer. In accordance with the agreements governing the securitization program, an unconsolidated special purpose entity enters into certain foreign exchange forward contracts for periods aligned with the average maturity of receivables sold into the program. The periodic gains and losses associated with such contracts are recorded by the Company as part of the loss on sale of receivables. Retained interests are carried at fair value which is estimated based on the present value of expected cash flows, calculated using management's best estimates of key assumptions, including credit losses and discount rates commensurate with the risks involved. For more information, see "Note 13—Securitization of Accounts Receivable."

Inventories

Inventories are stated at the lower of cost or market value using the weighted average method.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation is provided utilizing the straight line method over the estimated useful lives of the assets ranging from 3 to 20 years. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in income.

Periodic maintenance and repairs applicable to major units of manufacturing facilities are accounted for on the prepaid basis by capitalizing the costs of the turnaround and amortizing the costs over the estimated period until the next turnaround. Normal maintenance and repairs of all other plant and equipment are charged to expense as incurred. Renewals, betterments and major repairs that materially extend the useful life of the assets are capitalized, and the assets replaced, if any, are retired.

Interest costs are capitalized as part of major construction projects. Interest expense capitalized as part of plant and equipment was $1.2 million and $2.9 million for the three months ended March 31, 2003 and 2002, respectively.

Investment in Unconsolidated Affiliates

Investments in companies in which the Company exercises significant influence, generally ownership interests from 20% to 50%, are accounted for using the equity method.

Intangible Assets

Intangible assets, which consist of patents, trademarks, technology and certain other agreements, are stated at their fair market values at the time of acquisition, and are amortized using the straight line method over their estimated useful lives of five to fifteen years or over the life of the related agreement.

Carrying Value of Long-term Assets

The Company evaluates the carrying value of long-term assets based upon current and anticipated undiscounted cash flows and recognizes an impairment when such estimated cash flows will be less than the carrying value of the asset. Measurement of the amount of impairment, if any, is based upon the difference between carrying value and fair value.

Derivatives and Hedging Activities

The Company enters into derivative contracts, from time to time, such as (1) interest rate swaps, collars and options, (2) short-term foreign currency derivative instruments, and (3) commodity futures and swaps in an attempt to manage downside risks of interest rates, foreign currency rates, and commodity prices. Interest rate contracts that are designated as cash flow hedges for future interest payments and commodity price contracts that are designated as cash flow hedges for future inventory purchases are recorded at fair value in the balance sheet, and accumulated other comprehensive income (loss) to the extent of the effective portions of the hedging instruments. Gains and losses related to interest rate and commodity contracts will be reclassified from other comprehensive income (loss) into earnings in the periods in which the related hedged instrument payments are made, and are reflected as interest expense and cost of goods sold, respectively, in the statement of operations. Commodity price contracts that are designated as fair value hedges for future inventory sales

are recorded at fair value in the balance sheet. Changes in the fair value of these hedges are matched against the changes in the fair value of the underlying hedged inventory and reflected in cost of goods sold in the statement of operations. Interest rate, commodity, and foreign currency contracts that have not been designated as a hedge are recorded at fair value in the balance sheet with changes in fair value and realized gains (losses) recognized in interest expense, cost of goods sold, and selling, general and administrative expenses, respectively, in the statement of operations.

The Company is exposed to credit losses in the event of nonperformance by a counterparty to the derivative instrument. The Company anticipates, however, that the counterparties will be able to fully satisfy their obligations under the contracts.

The Company hedges its net investment position in euro functional currency entities. To accomplish this, a portion of the Company's debt is euro denominated and designated as a hedge of net investments. Currency effects of these hedges produce net gains (losses) in other comprehensive income loss (foreign currency translation adjustments).

Income Taxes

The Company and its U.S. subsidiaries are organized as limited liability companies. These entities are treated similar to a partnership for U.S. income tax purposes, and therefore are not subject to U.S. federal tax on their income. Subsidiaries outside the U.S. are generally taxed on the income generated in the local country.

Deferred income taxes are provided for temporary differences between financial statement income and taxable income using the asset and liability method in accordance with SFAS No. 109, "*Accounting for Income Taxes*." The Company does not provide for income taxes or benefits on the undistributed earnings of its international subsidiaries as earnings are reinvested and, in the opinion of management, will continue to be reinvested indefinitely.

Environmental Expenditures

Environmental related restoration and remediation costs are recorded as liabilities and expensed when site restoration and environmental remediation and cleanup obligations are either known or considered probable and the related costs can be reasonably estimated. Other environmental

expenditures, which are principally maintenance or preventative in nature, are recorded when incurred and are expensed or capitalized as appropriate.

Foreign Currency Translation

Generally, the accounts of the Company's subsidiaries outside of the United States consider local currency to be functional currency. Accordingly, assets and liabilities are translated at rates prevailing at the balance sheet date. Revenues, expenses, gains and losses are translated at a weighted average rate for the period. Cumulative translation adjustments are recorded to equity as a component of accumulated other comprehensive income. Transaction gains and losses are recorded in the statement of operations and were net gains of $0.7 million and net losses of $2.1 million for the three months ended March 31, 2003 and 2002, respectively.

Revenue Recognition

The Company generates revenues through sales in the open market, raw material conversion agreements and long-term supply contracts. The Company recognizes revenue when it is realized or realizable and earned, which is generally when the product is shipped to the customer.

Research and Development

Research and development costs are expensed as incurred.

Earnings per Member Equity Unit

Earnings per member equity unit is not presented because it is not considered meaningful information due to the Company's ownership by a single equity holder.

Reclassifications

Certain amounts in the consolidated financial statements for prior periods have been reclassified to conform with the current presentation.

Recently Adopted Financial Accounting Standards

On January 1, 2002, the Company adopted SFAS No. 142, "*Goodwill and Other Intangible Assets.*" SFAS No. 142 changes the accounting for goodwill and intangible assets with indefinite lives from an amortization method to an impairment-only approach. Upon adoption of SFAS No. 142, the Company was required to reassess the useful lives of all acquired intangibles and perform an impairment test on goodwill. In the first quarter of 2002, the Company completed the assessment of useful lives and concluded that no adjustment to the amortization period of intangible assets was necessary.

The Company has completed its initial assessment of goodwill impairment as of January 1, 2002 and has concluded that there is no indication of impairment. The Company has elected to test goodwill for impairment annually as of April 1 as required by SFAS No. 142. The annual assessment has been completed as of April 1, 2002 and the Company has concluded that there is no indication of impairment. As of December 31, 2002, the Company had no goodwill on its balance sheet.

On January 1, 2002, the Company adopted SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets* ." This statement establishes a single accounting model for the impairment or disposal of long-lived assets. The impact of adopting this pronouncement was not material.

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "*Accounting for Asset Retirement Obligations*." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible, long-lived assets and the associated

asset retirement costs. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred by capitalizing it as part of the carrying amount of the long-lived assets. As required by SFAS No. 143, the Company adopted this new accounting standard on January 1, 2003. The Company believes this statement's impact will not be significant; however, standard-setters continue to debate the statement's applicability to assets where the timing of any ultimate obligation is indefinite.

In April 2002, the FASB issued SFAS No. 145, "*Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Other Technical Corrections.*" In addition to amending or rescinding pronouncements to make various technical corrections, clarify meanings or describe applicability, SFAS No. 145 precludes companies from recording gains or losses from extinguishment of debt as an extraordinary item. The Company was required to adopt this statement as of January 1, 2003. The adoption of SFAS No. 145 did not have a material effect on the Company's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "*Accounting for Costs Associated With Exit or Disposal Activities* ." SFAS No. 146 requires recording costs associated with exit or disposal activities at their fair values when a liability has been incurred. Under previous guidance, certain exit costs were accrued upon management's commitment to an exit plan, which is generally before an actual liability has been incurred. We adopted this pronouncement in the first quarter of 2003. The adoption of SFAS No. 146 did not have a material effect on the Company's consolidated financial statements.

In January 2003, the FASB issued Financial Interpretation ("FIN") No. 45, "*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others*." FIN No. 45 requires recognition of a liability for the obligation undertaken upon issuing a guarantee. This liability would be recorded at the inception date of the guarantee and would be measured at fair value. The disclosure provisions of the interpretation are effective for the financial statements as of December 31, 2002. The liability recognition provisions apply prospectively to any guarantees issued or modified after December 31, 2002. The adoption of FIN No. 45 did not have a material effect on the Company's consolidated financial statements.

3. Inventories

Inventories as of March 31, 2003 and December 31, 2002 consisted of the following (dollars in millions):

	March 31 2003	December 31, 2002
Raw materials	$ 128.4	$ 130.2
Work in progress	22.5	25.9
Finished goods	429.6	385.8
Total	580.5	541.9
Materials and supplies	19.7	19.4
Net	$ 600.2	$ 561.3

4. Property, Plant and Equipment

The cost and accumulated depreciation of property, plant and equipment are as follows (dollars in millions):

	March 31 2003	December 31, 2002
Land	$ 43.2	$ 42.9
Buildings	177.0	157.7
Plant and equipment	3,459.7	3,446.3
Construction in progress	181.5	172.7

Total	3,861.4	3,819.6
Less accumulated depreciation	(811.6)	(748.5)
Net	$ 3,049.8	$ 3,071.1

5. Investments in Unconsolidated Affiliates

The Company's ownership percentage and investments in unconsolidated affiliates, primarily manufacturing joint ventures, are as follows (in millions):

	March 31 2003	December 31, 2002
Louisiana Pigment Company, L.P. (50%)	$ 132.7	$ 131.4
Rubicon, Inc. (50%)	1.3	1.3
Others	1.3	1.2
Total	$ 135.3	$ 133.9

6. Intangible Assets

The gross carrying amount and accumulated amortization of intangible assets as of March 31, 2003 were as follows (dollars in millions):

	March 31, 2003			December 31, 2002		
	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Patents, trademarks, and technology	$ 349.5	$ 95.8	$ 253.7	$ 348.7	$ 89.9	$ 258.8
Non-compete agreements	49.1	32.9	16.2	49.1	30.9	18.2
Other intangibles	29.4	3.6	25.8	28.9	3.1	25.8
Total	$ 428.0	$ 132.3	$ 295.7	$ 426.7	$ 123.9	$ 302.8

7. Other Noncurrent Assets

Other noncurrent assets consist of the following (in millions):

	March 31, 2003	December 31, 2002
Prepaid pension assets	$ 148.9	$ 146.2
Debt issuance costs	65.3	60.7
Capitalized turnaround expense	46.9	47.6
Receivables from affiliates	16.3	18.6
Spare parts inventory	48.6	46.2
Other noncurrent assets	12.2	19.5
Total	$ 338.2	$ 338.8

8. Accrued Liabilities

Accrued liabilities consist of the following (in millions):

	March 31, 2003	December 31, 2002
Raw materials and services	$ 209.0	$ 217.7
Interest	39.6	61.3
Taxes (income, property and VAT)	40.0	41.4
Payroll, severance and related costs	75.7	67.4
Volume and rebates accruals	42.9	52.5
Restructuring and plant closing costs	20.0	7.1

Other miscellaneous accruals	55.0	76.4
Total	$ 482.2	$ 523.8

9. Other Noncurrent Liabilities

Other noncurrent liabilities consist of the following (in millions):

	March 31 2003	December 31, 2002
Pension liabilities	$ 82.1	$ 82.3
Other postretirement benefits	11.8	10.8
Environmental accruals	9.2	19.3
Payable to affiliate	38.1	37.9
Other noncurrent liabilities	7.6	8.1
Total	$ 148.8	$ 158.4

10. Restructuring and Plant Closing Costs

As of December 31, 2002, the Company had a reserve for restructuring costs and plant closing costs of $7.1 million recorded in accrued liabilities. The entire amount was related to workforce reductions.

On March 11, 2003, the Company announced that, in its Polyurethanes segment, it is integrating its global flexible products division into its global derivatives division, and it recorded a charge of $17.1 million in the first quarter 2003. This charge relates to a portion of an overall corporate cost

reduction program that is expected to be implemented and recorded throughout 2003. This $17.1 million charge represents severance and is included in accrued liabilities.

During the three months ended March 31, 2003, the Company made cash payments of approximately $4.2 million. At March 31, 2003 there was $20.0 million remaining in accrued liabilities.

11. Long-term Debt

Long-term debt outstanding as of March 31, 2003 and December 31, 2002 is as follows (dollars in millions):

	March 31, 2003	December 31, 2002
Senior Secured Credit Facilities:		
Revolving loan facility	$ 201.2	$ 67.0
Term A dollar loan	109.7	109.7
Term A euro loan (in U.S. dollar equivalent)	142.6	138.5
Term B loan	526.3	526.3
Term C loan	526.3	526.3
Senior Notes	300.0	300.0
Senior Subordinated Notes	1,090.9	1,076.8
Other long-term debt	28.5	29.2
Subtotal	2,925.5	2,773.8
Less current portion	(1.3)	(43.9)
Total	$ 2,924.2	$ 2,729.9

HI Credit Facilities

The revolving loan facility of up to $400 million matures on June 30, 2005 with no scheduled commitment reductions. Both the term A dollar loan and the term A euro loan facilities mature on June 30, 2005, with the next semi-annual payment due in the fourth quarter 2004. The term B loan facility matures on June 30, 2007 and the term C loan facility matures on June 30, 2008. The term B and term C loan facilities require payments in annual installments of $5.48 million each, with the next payments occurring in the second quarter 2005

and the remaining unpaid balances due on final maturity. See "—Senior Notes and Senior Subordinated Notes" below for discussion of the Senior Note offering of $150 million, the proceeds of which were primarily used to prepay the next 16 months of scheduled amortization due under the HI Credit Facilities.

Interest rates for the HI Credit Facilities are based upon, at the Company's option, either a eurocurrency rate (LIBOR) or a base rate (prime) plus the applicable spread. The applicable spreads vary based on a pricing grid, in the case of eurocurrency based loans, from 1.50% to 4.50% per annum depending on the loan facility and whether specified conditions have been satisfied, and, in the case of base rate loans, from 0.25% to 3.25% per annum. As of March 31, 2003 and December 31, 2002, the average interest rates on the HI Credit Facilities were 6.0% and 5.8%, respectively.

The obligations under the HI Credit Facilities are supported by guarantees of the Company's domestic and certain foreign subsidiaries (collectively the "Guarantors") and HIH, as well as pledges of substantially all their assets, including 65% of the voting stock of certain non-U.S. subsidiaries.

The HI Credit Facilities contain covenants relating to incurrence of debt, purchase and sale of assets, limitations on investments, affiliate transactions, change in control provisions and maintenance of certain financial ratios. The financial covenants include a leverage ratio, interest coverage ratio, minimum consolidated net worth level and a limit on capital expenditures. The HI Credit Facilities also

limit the payment of dividends generally to the amount required by the members to pay income taxes. On February 7, 2003, the Company amended the HI Credit Facilities. The amendments resulted in, among other things, changes to certain financial covenants, including the interest coverage ratio and leverage ratio covenants, through the second quarter of 2004. Management believes that the Company is in compliance with the covenants of the HI Credit Facilities as of March 31, 2003.

On April 9, 2003, the Company amended the HI Credit Facilities to allow prepayment of the next 16 months of amortization with proceeds raised in its $150 million note offering.

Senior Notes and Senior Subordinated Notes

In March 2002, the Company issued $300 million 9.875% Senior Notes (collectively with the 2003 Senior Notes, the "Senior Notes"). Interest on the Senior Notes is payable semi-annually and the Senior Notes mature on March 1, 2009. The Senior Notes are fully and unconditionally guaranteed on a joint and several basis by the Guarantors. The Senior Notes may be redeemed, in whole or in part, at any time by the Company prior to March 1, 2006 at 100% of the face value plus a "make whole" premium, as defined in the applicable indenture. After March 1, 2006, the Senior Notes may be redeemed, in whole or in part, at a redemption price that declines from 104.937% to 100% after March 1, 2008.

On April 11, 2003, the Company sold an additional $150 million in aggregate principal amount of 9.875% Senior Notes due 2009 (the "2003 Senior Notes") in a transaction exempt from the registration requirements of the Securities Act of 1933. The offering was priced at 105.25% plus accrued interest from March 1, 2003. The Company used approximately $26 million of the net proceeds to repay part of the revolving portion of the HI Credit Facilities. The balance of the net proceeds was used primarily to prepay the next 16 months of scheduled amortization due under the term portion of the HI Credit Facilities.

The Company also has outstanding $600 million and €450 million 10.125% Senior Subordinated Notes (the "Subordinated Notes"). Interest on the Subordinated Notes is payable semi-annually and the Subordinated Notes mature on July 1, 2009. The Subordinated Notes are fully and unconditionally guaranteed on a joint and several basis by the Guarantors. The Subordinated Notes are redeemable (1) on or after July 1, 2004 at 105.063% of the principal amount thereof, declining ratably to par on and after July 1, 2007, and (2) prior to July 1, 2004 at 105.063% of the principal amount thereof, discounted to the redemption date using the treasury rate (for the dollar denominated notes) or the bond rate (for the euro denominated notes) plus 0.50%, plus, in each case, accrued and unpaid interest to the date of redemption.

The Senior Notes and the Subordinated Notes contain covenants relating to the incurrence of debt, limitations on distributions, asset sales and affiliate transactions, among other things. They also contain a change of control provision requiring the Company to offer to repurchase the Senior Notes and the Subordinated Notes upon a change of control. Management believes that the Company is in compliance with the covenants of the Senior Notes and the Subordinated Notes as of March 31, 2002.

12. Derivatives and Hedging Activities

Interest Rate Hedging

Interest rate contracts with a fair value of $20.8 million and $23.4 million were recorded as a component of other noncurrent liabilities as of March 31, 2003 and December 31, 2002, respectively. The fair value of the cash flow hedges and the interest rate contracts not designated as a hedge are $14.0 million and $6.8 million as of March 31, 2003 and $15.6 million and $7.8 million as of December 31, 2002. The changes in fair value of the cash flow hedges resulted in a $0.1 million and a $2.8 million decrease in interest expense and a $1.5 million and a $0.3 million decrease in other

comprehensive income (loss) for the three months ended March 31, 2003 and 2002, respectively. The changes in fair value of the interest

rate contracts not designated as a hedge resulted in a $1.0 million and a $2.1 million decrease in interest expense for the three months ended March 31, 2003 and 2002, respectively.

Commodity Price Hedging

As of March 31, 2003 the fair value of cash flow commodity price hedging contracts recorded in other current liabilities and other comprehensive income (loss) is $1.9 million. As of December 31, 2002, the fair value of cash flow commodity price hedging contracts was not material.

As of March 31, 2003 commodity price hedging contracts designated as fair value hedges are included in the balance sheet as an increase of $2.2 million to other current assets and a decrease to inventory of $3.1 million. As of December 31, 2002 commodity price hedging contracts designated as fair value hedges are included in the balance sheet as an increase of $0.8 to other current liabilities and an increase to inventory of $0.8 million.

Commodity price contracts not designated as hedges as defined by SFAS No. 133 are reflected in the balance sheet as $2.2 million and $0.5 million in other current assets and liabilities, respectively, as of March 31, 2003 and, $0.8 million and $0.2 million other current assets and liabilities, respectively, as of December 31, 2002.

During the three months ended March 31, 2003 and 2002, the Company recorded a decrease of $0.9 million and an increase of $0.8 million in cost of goods sold related to net gains and losses from settled contracts, net gains and losses in fair value price hedges, and the change in fair value on commodity price hedging contracts not designated as hedges as defined in SFAS No. 133.

Foreign Currency Rate Hedging

As of March 31, 2003 and December 31, 2002 and for the three months ended March 31, 2003 and 2002, the fair value, change in fair value, and realized gains (losses) of outstanding foreign currency rate hedging contracts is not material.

Net Investment Hedging

Currency effects of net investment hedges produced net losses of approximately $18.4 million and $9.4 million in other comprehensive loss (foreign currency translation adjustments) for the three months ended March 31, 2003 and 2002, respectively. As of March 31, 2003 and December 31, 2002, there was a cumulative net loss of approximately $51.1 million and $32.7 million, respectively.

13. Securitization of Accounts Receivable

On December 21, 2000, the Company initiated a five-year revolving securitization program under which certain trade receivables were and will be transferred to an off balance sheet special purpose entity at a discount. Under the terms of the agreements, the Company and its subsidiaries continue to service the receivables in exchange for a 1% fee of the outstanding receivables, and the Company is subject to recourse provisions. At March 31, 2003, the special purpose entity had outstanding $183 million in medium-term notes ("MTNs") and $100 million in commercial paper.

For the three months ended March 31, 2003 and 2002, new sales totaled approximately $1,002 million and $606 million, respectively, and cash collections reinvested totaled approximately $892 million and $571 million, respectively. Servicing fees received during the first three months of 2003 and 2002 were approximately $1.2 million and $0.7 million, respectively, and are recorded as a reduction in the loss on sale of accounts receivable in the statements of operations. The retained interest in the receivables was approximately $108 million and $112 million, and as of March 31, 2003 and December 31, 2002, respectively. The value of the retained interest is subject to credit and interest rate risk.

The key economic assumptions used in valuing the residual interest at March 31, 2003 are presented below:

Weighted average life (in months)	2
Credit losses (annual rate)	Less than 1%
Discount rate (annual rate)	5%

A 10% and 20% adverse change in any of the key economic assumptions would not have a material impact on the fair value of the retained interest. Total receivables over 60 days past due as of March 31, 2003 and December 31, 2002 were $8.8 million and $11.2 million, respectively.

14. Other Comprehensive Income (loss)

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

	March 31, 2003		December 31, 2002	
	Accumulated income (loss)	Income (loss)	Accumulated income (loss)	Income (loss)

Foreign currency translation adjustments	$ (37.3)	$ 1.2	$ (38.5)	$ 147.2
Additional minimum pension liability	(86.6)	1.5	(88.1)	(88.1)
Additional minimum pension liability—unconsolidated affiliate	(5.4)	—	(5.4)	(5.4)
Unrealized loss on securities	(0.9)	1.8	(2.7)	(2.7)
Net unrealized loss on derivative instruments	(11.0)	0.6	(11.6)	2.4
Cumulative effect of accounting change	(1.1)	—	(1.1)	—
Total	$ (142.3)	$ 5.1	$ (147.4)	$ 53.4

15. Commitments and Contingencies

The Company has various purchase commitments for materials and supplies entered into in the ordinary course of business. These agreements extend up to ten years and the purchase price is generally based on market prices subject to certain minimum price provisions.

The Company is involved in litigation from time to time in the ordinary course of its business. In management's opinion, after consideration of indemnification arrangements, none of such litigation is material to the Company's financial condition or results of operations.

16. Environmental Matters

General

The operation of chemical manufacturing plants, the distribution of chemical products and the related production of by-products and wastes entails risk of adverse environmental effects. As a result,

the Company is 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, the Company is subject to frequent environmental inspections and monitoring by governmental enforcement authorities. In addition, the Company's 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 fines and civil or criminal sanctions. Moreover, changes in environmental regulations could inhibit or interrupt the Company's operations, or require it to change its equipment or operations, and any such changes could have a material adverse effect on its businesses. Accordingly, given the Company's businesses, environmental or regulatory matters may cause significant unanticipated losses, costs or liabilities.

Under some environmental laws, the Company may be jointly and severally liable for the costs of environmental contamination on or from its properties and at off-site locations where it disposed of or arranged for the disposal or treatment of hazardous wastes. For example, in the United States under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and similar state laws, a current owner or operator of real property may be liable for such costs regardless of whether the owner or operator owned or operated the real property at the time of the release of the hazardous substances and regardless of whether the release or disposal was in compliance with law at the time it occurred. In addition, under the United States Resource Conservation and Recovery Act of 1976, as amended, and similar state laws, as the holder of permits to treat or store hazardous wastes, the Company may, under some circumstances, be required to remediate contamination at its properties regardless of when the contamination occurred. Similar laws are being developed or are in effect to varying degrees in other parts of the world, most notably in the European Union ("EU"). For example, in the U.K., the contaminated land regime now provides a detailed framework for the identification, management and remediation of contaminated sites. This law will likely increase governmental scrutiny of the Company's U.K. facilities.

The Company may also incur future costs for capital improvements and general compliance under environmental laws, including costs to acquire, maintain and repair pollution control equipment. Capital expenditures are planned, for example, under national legislation implementing the EU Directive on Integrated Pollution Prevention and Control. Under this directive the majority of the Company's European plants will, over the next few years, be required to obtain governmental authorizations which will regulate air and water discharges, waste management and other matters relating to the impact of operations on the environment, and to conduct site assessments to evaluate environmental conditions. Although the implementing legislation in most Member States is not yet in effect, it is likely that additional expenditures may be necessary in some cases to meet the requirements of authorizations under this directive. In particular, the Company believes that related expenditures to upgrade its wastewater treatment facilities at several sites may be necessary and associated costs may be material. Wastewater treatment upgrades unrelated to this initiative also are planned at certain facilities. In addition, the Company may also incur material expenditures, beyond currently anticipated expenditures, in complying with EU Directives, including the Directive on Hazardous Waste Incineration, the Seveso II Directive, which governs major accident hazards, as well as the Water Framework Directive. It is also possible that additional expenditures to reduce air emissions at two of the Company's U.K. facilities may be material. Capital expenditures and, to a lesser extent, costs and operating expenses relating to environmental 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 the Company's operations. Therefore, the Company cannot assure you that material capital expenditures beyond those currently anticipated will not be required under environmental laws.

Potential Liabilities

The Company's operations involve the handling, transportation and use of numerous hazardous substances. From time to time, these operations may result in violations under environmental laws including spills or other releases of hazardous substances into the environment. In the event of a catastrophic incident, the Company could incur material costs or experience interruption in its operations as a result of addressing the incident and implementing measures to prevent such incidents in the future. Currently, the Company is aware of the following matters:

The Texas Commission on Environmental Quality (the "TCEQ," formerly the Texas Natural Resource Conservation Commission or TNRCC) has issued certain notices of violation relating to air emissions and wastewater issues at the Company's Port Neches, Texas facility. The Company and the TCEQ have reached a tentative settlement on penalties totaling $352,250, less than $100,000 of which is allocable to the Company's PO/MTBE facility at Port Neches. The settlement will be reviewed by the TCEQ on May 29, 2003, and it is anticipated that it will be approved. Although management does not anticipate it, it is possible that the terms of an air permit, which the Company applied for as a result of the settlement, may cause it to incur costs related to equipment serving this plant and others in the vicinity that could be material.

On October 6, 2002, a leak of sulphuric acid from two tanks located near the Company's Whitehaven, U.K. plant was discovered. About 342 to 347 tonnes of acid were released onto the ground and into the soil near the tanks. Although the Company took immediate steps to contain the spillage and recover acid, a quantity of acid reached a nearby beach via a geological fault. The Company believes the tanks were not owned by the Company; however, it did own the acid in the tanks. The EA and the Health and Safety Executive (the "HSE") are investigating the incident, and the HSE has issued three Improvement Notices requiring corrective action. Although the Company can give no assurances, based on currently available information and its understanding of similar investigations and penalties in the past, the Company believes that, if any charges are brought or additional corrective action orders issued and the Company is ultimately found to be legally responsible, the probable penalties would not be material to its financial position or results of operations.

The Company is aware that there is or may be soil or groundwater contamination at some of its facilities resulting from past operations. Based on available information and the indemnification rights (including indemnities provided by Huntsman Specialty, ICI, Rhodia S.A. and The Dow Chemical Company, for the facilities that each of them transferred to the Company), the Company believes that the costs to investigate and remediate known contamination will not have a material adverse effect on its financial condition, results of operations or cash flows; however, it cannot give any assurance that such indemnities will fully cover the costs of investigation and remediation, that it will not be required to contribute to such costs or that such costs will not be material.

By letter dated March 6, 2003, the Company's subsidiary, Huntsman Ethyleneamines Ltd., was notified by the TCEQ of a probable enforcement action arising out of the inspection of the Freeport, Texas facility on December 16-19, 2002. Seven types of violations relating to Texas Clean Air Act requirements were cited. No penalty demand has yet been made by the TCEQ, although penalties are expected.

The Company has established financial reserves relating to environmental restoration and remediation programs, which the Company believes are sufficient for known requirements. Liabilities are recorded when site restoration and environmental remediation and clean-up obligations are either known or considered probable and can be reasonably estimated. These liabilities are based upon all available facts, existing technology, past experience and cost-sharing arrangements (as to which, the Company considers the viability of other parties). A total of approximately $24 million has been accrued related to environmental matters as of March 31, 2003. The Company does not anticipate that,

as a result of compliance with current environmental laws and regulations, any future costs in excess of those that have been accrued by the Company will be material to its results of operations or financial position. However, given the nature of the Company's business, violations of environmental laws may result in restrictions imposed on its operating activities, substantial fines, penalties, damages or other costs, any of which could have a material adverse effect on its business, financial condition, results of operations or cash flows.

MTBE Developments

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, the California Air Resources Board adopted regulations that would prohibit the addition of MTBE to gasoline as of January 1, 2004. Certain other states have also taken actions to restrict or eliminate the future use of MTBE. In connection with the proposed ban, the State of California requested that the U.S. Environmental Protection Agency (the "EPA") waive the federal oxygenated fuels requirements of the federal Clean Air Act for gasoline sold in California. The EPA denied the State's request on June 12, 2001. Certain of the state bans have been challenged in court as unconstitutional (in light of the Clean Air Act). The Company is unable to predict what the short- and long- term effects of these matters will be.

Bills have been introduced in the U.S. Congress to accomplish similar goals of curtailing or eliminating the oxygenated fuels requirements in the Clean Air Act, or of curtailing MTBE use. To date, no such legislation has become law. Whether a ban or substantial restrictions on MTBE use will become law in the future is unknown at this time.

In addition, on March 20, 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. In its notice, the EPA also called on the U.S. Congress to restrict the use of MTBE under the Clean Air Act. Any phase-out of or future regulation of MTBE in California (in which a significant amount of MTBE is consumed), in other states, or nationally may result in a significant reduction in demand for MTBE and may result in a material loss in revenues or material costs or expenditures.

In Europe, the European Union (the "EU") issued a final risk assessment report on MTBE on September 20, 2002. While no ban of MTBE was recommended, several risk reduction measures relating to storage and handling of MTBE-containing fuel were recommended. Separate from EU action, Denmark entered into a voluntary agreement with refiners to reduce the sale of MTBE in Denmark. Under the agreement, use of MTBE in 92- and 95-octane gasoline in Denmark ceased by May 1, 2002; however, MTBE will still be an additive in a limited amount of 98-octane gasoline sold in about 100 selected service stations in Denmark.

In the event that there should be a phase-out of MTBE in the United States, the Company believes it will be able to export MTBE to Europe or elsewhere or use its co-product tertiary butyl alcohol ("TBA") to produce saleable products other than MTBE. The Company believes that its low production costs at its PO/MTBE facility will put it in a favorable position relative to other higher cost sources (primarily, on-purpose manufacturing). If the Company opts to produce products other than MTBE, necessary modifications to its 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.

Furthermore, the Company cannot give any assurance that it will not be named in litigation relating to the environmental effects of MTBE or that such litigation will not have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

17. Operating Segment Information

The Company derives its revenues, earnings and cash flows from the manufacture and sale of a wide variety of differentiated and commodity chemical products. The Company has four reportable operating segments: Polyurethanes, Performance Products, Pigments and Base Chemicals.

The major products of each reportable operating segment are as follows:

Segment	Products
Polyurethanes	MDI, TDI, TPU, polyols, aniline, PO, TBA and MTBE
Performance Products	Surfactants, ethyleneamines and other performance chemicals
Pigments	Titanium dioxide
Base Chemicals	Ethylene, propylene, benzene, cyclohexane and paraxylene

Sales between segments are generally recognized at external market prices. For the three months ended March 31, 2003 and 2002, sales to Imperial Chemical Industries PLC ("ICI") and its affiliates accounted for approximately 6% and 6%, respectively, of consolidated revenues.

The net sales, operating income and EBITDA for each of the Company's reportable operating segments are as follows (dollars in millions):

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Net Sales		
Polyurethanes	$ 554.9	$ 463.7
Performance Products	161.1	136.4
Pigments	246.1	202.2
Base Chemicals	372.2	213.6
Eliminations	(36.6)	(18.0)
Total	$ 1,297.7	$ 997.9

Operating Income (Loss)		
Polyurethanes	$ 4.3	$ 54.5
Performance Products	(0.6)	4.7
Pigments	13.1	(0.1)
Base Chemicals	14.5	(16.2)
Unallocated and other	(13.8)	(15.0)
Total	17.5	27.9
Non-operating expense	(11.8)	(3.2)
Depreciation and amortization	69.0	59.2
EBITDA(1)	$ 74.7	$ 83.9
Segment EBITDA		
Polyurethanes	$ 40.2	$ 87.2
Performance Products	2.3	6.9
Pigments	28.9	10.9
Base Chemicals	26.5	(7.5)
Unallocated and other(2)	(23.2)	(13.6)
Total	$ 74.7	$ 83.9

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

(2) EBITDA from unallocated and other items includes unallocated corporate overhead, loss on sale of accounts receivable, foreign exchange gains or losses and other non-operating income (expense).

18. Recent Events

Purchase of HIH Membership Interests

On May 9, 2003, HMP issued senior discount notes (the "HMP Senior Discount Notes"), with warrants to purchase 12% of HMP's fully diluted common stock as of such date. HMP used the proceeds to exercise an option that it held and purchased the 30% membership interest in HIH held indirectly by ICI. HMP also used the proceeds to complete the purchase of the senior subordinated reset discount notes due 2009 of HIH that were originally issued to ICI (the "B Notes"). The B Notes held by HMP will remain outstanding. In addition, HMP used such proceeds to acquire the approximately 9% of the membership interests in HIH from institutional investors. Accordingly, HMP

directly owns 40% of the membership interests of HIH and the B Notes. HMP indirectly owns the remaining 60% of HIH through its ownership of all of the equity of Huntsman LLC.

As a result of HMP's purchase of the HIH membership interests from ICI, the put option arrangements between Huntsman Specialty and ICI have been effectively terminated.

Huntsman Specialty has pledged a total of 60% of the memberships interests in HIH as collateral under the Huntsman LLC senior secured credit facilities. HMP has separately pledged all of its assets, including the remaining 40% membership interests in HIH, the B Notes and the 100% interest in Huntsman LLC, as collateral under the HMP Senior Discount Notes.

Amendment of HI Credit Facilities

On February 7, 2003, the Company amended the HI Credit Facilities. The amendments resulted in, among other things, changes to certain financial covenants, including the "Interest Coverage Ratio" and "Leverage Ratio" covenants, through the second quarter of 2004.

On April 9, 2003, the Company amended the HI Credit Facilities to allow prepayment of the next 16 months of amortization with proceeds raised in its $150 million note offering.

2003 Senior Notes Offering

On April 11, 2003, the Company sold $150 million in aggregate principal amount of 9.875% Senior Notes due 2009 in a transaction exempt from the registration requirements of the Securities Act of 1933. The offering was priced at 105.25% plus accrued interest from March 1, 2003. The Company used approximately $26 million of the net proceeds to repay part of the revolving portion of the HI Credit

Facilities. The balance of the net proceeds was used primarily to prepay the next 16 months of scheduled amortization due under the term portion of the HI Credit Facilities.

Continued Cost Reduction Initiatives

On March 11, 2003, the Company announced that, in its Polyurethanes segment, it is integrating its global flexible products division into its global derivatives division and recorded a charge of $17.1 million in the first quarter 2003. This charge relates to a portion of an overall corporate cost reduction program that is expected to be implemented and recorded throughout 2003. This $17.1 million charge represents severance and is included in accrued liabilities.

Possible Transaction Involving Vantico

The Company's parent companies, HMP and Huntsman Holdings, and GOP are involved in a proposed restructuring of Vantico Group S.A. and its subsidiaries (collectively, "Vantico"), a leading European based global epoxy resin producer providing solutions in the fields of innovative coatings, structural composites, adhesives, tooling materials, and electric and electronic insulation. If the proposed restructuring occurs, Vantico would become an affiliate of the Company, but the Company will not own any securities of Vantico and will not be required to make any cash contributions to Vantico. The Company and its affiliates may enter into arms-length contractual arrangements with Vantico regarding management, technology and commercial matters, and certain of the current employees of the Company and its affiliates may assume senior positions at Vantico.

Chinese MDI Joint Venture

In January 2003, the Company entered into a joint venture agreement to build an MDI manufacturing plant near Shanghai, China with BASF and three Chinese chemical companies. 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 on March 7, 2003.

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19. Consolidating Condensed Financial Statements

The following consolidating condensed financial statements present, in separate columns, financial information for the following: Huntsman International LLC (on a parent only basis), with its investment in subsidiaries recorded under the equity method; the guarantors, under the Company's indenture, on a combined, or where appropriate, consolidated basis, with its investment in the non-guarantors recorded under the equity method; and the non-guarantors on a consolidated basis. Additional columns present eliminating adjustments and consolidated totals as of March 31, 2003 and December 31, 2002 and for the three months ended March 31, 2003 and 2002. There are no contractual restrictions limiting transfers of cash from guarantor and non-guarantor subsidiaries to the Company. The combined guarantors are wholly-owned subsidiaries of the Company and have fully and unconditionally guaranteed the senior notes and the senior subordinated notes on a joint and several basis. The Company has not presented separate financial statements and other disclosures for each of the guarantors because management believes that such information is not material to investors.

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONSOLIDATING CONDENSED BALANCE SHEETS

MARCH 31, 2003 (UNAUDITED) (Dollars in Millions)

	Parent Only Huntsman International	Guarantors	Non-Guarantors	Eliminations	Consolidated Huntsman International
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 1.2	$ 2.1	$ 46.0	$ —	$ 49.3
Accounts and notes receivables, net	68.1	111.3	469.4	(99.9)	548.9
Inventories	56.7	87.4	456.1	—	600.2
Prepaid expenses	3.2	0.9	12.6	—	16.7
Other current assets	70.9	257.9	105.5	(331.6)	102.7
Total current assets	200.1	459.6	1,089.6	(431.5)	1,317.8
Property, plant and equipment, net	554.2	334.5	2,161.1	—	3,049.8
Investment in unconsolidated affiliates	3,250.8	709.7	1.3	(3,826.5)	135.3
Intangible assets, net	281.9	5.7	8.1	—	295.7
Other noncurrent assets	87.0	1,744.7	245.8	(1,739.3)	338.2

Total assets	$ 4,374.0	$ 3,254.2	$ 3,505.9	$ (5,997.3)	$ 5,136.8
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	$ 79.7	$ 76.7	$ 268.0	$ (99.9)	$ 324.5
Accrued liabilities	53.6	23.3	440.6	(35.3)	482.2
Current portion of long-term debt	1.2	—	0.1	—	1.3
Other current liabilities	235.4	12.5	75.6	(295.9)	27.6
Total current liabilities	369.9	112.5	784.3	(431.1)	835.6
Long-term debt	2,935.4	—	1,728.5	(1,739.7)	2,924.2
Deferred income taxes	(1.0)	—	208.9	—	207.9
Other noncurrent liabilities	49.4	—	99.4	—	148.8
Total liabilities	3,353.7	112.5	2,821.1	(2,170.8)	4,116.5
Equity:					
Member's equity	1,026.1	—	—	—	1,026.1
Subsidiary equity	—	2,510.6	788.6	(3,299.2)	—
Retained earnings	136.5	711.1	19.8	(730.9)	136.5
Accumulated other comprehensive income (loss)	(142.3)	(80.0)	(123.6)	203.6	(142.3)
Total equity	1,020.3	3,141.7	684.8	(3,826.5)	1,020.3
Total liabilities and equity	$ 4,374.0	$ 3,254.2	$ 3,505.9	$ (5,997.3)	$ 5,136.8

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONSOLIDATING CONDENSED BALANCE SHEETS

DECEMBER 31, 2002 (UNAUDITED) (Dollars in Millions)

	Parent Only Huntsman International	Guarantors	Non-Guarantors	Eliminations	Consolidated Huntsman International
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 19.0	$ 0.3	$ 56.1	$ —	$ 75.4
Accounts and notes receivables, net	91.3	113.8	378.2	(115.4)	467.9
Inventories	53.2	63.4	444.7	—	561.3
Prepaid expenses	4.3	1.9	15.8	—	22.0
Other current assets	74.5	245.5	130.7	(344.1)	106.6
Total current assets	242.3	424.9	1,025.5	(459.5)	1,233.2
Property, plant and equipment, net	562.3	339.3	2,169.5	—	3,071.1
Investment in unconsolidated affiliates	3,098.0	717.4	1.5	(3,683.0)	133.9
Intangible assets, net	289.4	6.3	7.1	—	302.8
Other noncurrent assets	87.9	1,599.0	245.0	(1,593.1)	338.8
Total assets	$ 4,279.9	$ 3,086.9	$ 3,448.6	$ (5,735.6)	$ 5,079.8

LIABILITIES AND EQUITY

Current liabilities:					
Accounts payable	$ 52.1	$ 59.7	$ 318.4	$ (115.4)	$ 314.8
Accrued liabilities	100.0	26.3	428.2	(30.7)	523.8
Current portion of long-term debt	43.2	—	0.7	—	43.9
Other current liabilities	229.9	11.7	100.5	(313.4)	28.7
Total current liabilities	425.2	97.7	847.8	(459.5)	911.2
Long-term debt	2,741.2	—	1,581.8	(1,593.1)	2,729.9
Deferred income taxes	—	—	215.1	—	215.1
Other noncurrent liabilities	48.3	3.8	106.3	—	158.4
Total liabilities	3,214.7	101.5	2,751.0	(2,052.6)	4,014.6
Equity:					
Member's equity	1,026.1	—	—	—	1,026.1
Subsidiary equity	—	2,408.8	772.8	(3,181.6)	—
Retained earnings	186.5	675.7	34.9	(710.6)	186.5
Accumulated other comprehensive loss	(147.4)	(99.1)	(110.1)	209.2	(147.4)
Total equity	1,065.2	2,985.4	697.6	(3,683.0)	1,065.2
Total liabilities and equity	$ 4,279.9	$ 3,086.9	$ 3,448.6	$ (5,735.6)	$ 5,079.8

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

THREE MONTHS ENDED MARCH 31, 2003 (UNAUDITED) (Dollars in Millions)

	Parent Only Huntsman International	Guarantors	Non-Guarantors	Eliminations	Consolidated Huntsman International
Revenues:					
Trade sales and services	$ 171.4	$ 163.2	$ 854.1	$ —	$ 1,188.7
Related party sales	29.7	28.6	94.8	(52.5)	100.6
Tolling fees	—	8.2	0.2	—	8.4
Total revenue	201.1	200.0	949.1	(52.5)	1,297.7
Cost of goods sold	169.7	177.8	867.3	(52.5)	1,162.3
Gross profit	31.4	22.2	81.8	—	135.4
Expenses:					
Selling, general and administrative	35.5	3.2	49.9	—	88.6
Research and development	9.6	0.5	2.1	—	12.2
Restructuring and plant closing costs	—	—	17.1	—	17.1
Total expenses	45.1	3.7	69.1	—	117.9
Operating income	(13.7)	18.5	12.7	—	17.5
Interest (expense) income, net	(64.4)	34.5	(33.7)	—	(63.6)
Gain (loss) on sale of accounts receivable	(7.0)	(0.6)	(2.0)	—	(9.6)
Equity in earnings (losses) of unconsolidated affiliates	37.3	(17.0)	—	(20.3)	—
Other income (expense)	(2.2)	—	—	—	(2.2)
Income (loss) before income taxes	(50.0)	35.4	(23.0)	(20.3)	(57.9)

Income tax (expense) benefit	—	—	7.9	—	7.9
Net income (loss)	(50.0)	35.4	(15.1)	(20.3)	(50.0)
Other comprehensive income (loss)	5.1	19.1	(13.5)	(5.6)	5.1
Comprehensive income (loss)	$ (44.9)	$ 54.5	$ (28.6)	$ (25.9)	$ (44.9)

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

THREE MONTHS ENDED MARCH 31, 2002 (UNAUDITED) (Dollars in Millions)

	Parent Only Huntsman International	Guarantors	Non-Guarantors	Eliminations	Consolidated Huntsman International
Revenues:					
Trade sales and services	$ 148.9	$ 141.3	$ 631.4	$ —	$ 921.6
Related party sales	26.5	27.5	79.7	(57.4)	76.3
Total revenue	175.4	168.8	711.1	(57.4)	997.9
Cost of goods sold	125.3	137.4	667.1	(57.4)	872.4
Gross profit	50.1	31.4	44.0	—	125.5
Expenses:					
Selling, general and administrative	31.4	5.3	48.6	—	85.3
Research and development	8.0	0.2	4.1	—	12.3
Total expenses	39.4	5.5	52.7	—	97.6
Operating income	10.7	25.9	(8.7)	—	27.9
Interest (expense) income, net	(54.4)	27.4	(26.2)	—	(53.2)
Loss on sale of accounts receivable	(1.8)	(0.7)	(1.1)	—	(3.6)
Equity in earnings (losses) of unconsolidated affiliates	47.0	(8.2)	—	(38.8)	—
Other income (expense)	0.6	—	(0.2)	—	0.4
Income (loss) before income taxes	2.1	44.4	(36.2)	(38.8)	(28.5)
Income tax benefit	—	—	31.4	—	31.4
Minority interests in subsidiaries income (loss)	—	—	(0.8)	—	(0.8)
Net income (loss)	2.1	44.4	(5.6)	(38.8)	2.1
Other comprehensive income (loss)	(20.9)	(27.1)	(24.5)	51.6	(20.9)
Comprehensive income (loss)	$ (18.8)	$ 17.3	$ (30.1)	$ 12.8	$ (18.8)

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONSOLIDATING CONDENSED STATEMENTS OF CASH FLOW

THREE MONTHS ENDED MARCH 31, 2003 (UNAUDITED) (Dollars in Millions)

	Parent Only Huntsman International	Guarantors	Non-Guarantors	Eliminations	Consolidated Huntsman International

	Parent Only Huntsman International	Guarantors	Non-Guarantors	Eliminations	Consolidated Huntsman International
Net cash provided by operating (used in) activities	$ (91.0)	$ 44.4	$ (86.6)	$ —	$ (133.2)
Investing activities:					
Capital expenditures	(1.8)	(0.7)	(19.3)	—	(21.8)
Advances to unconsolidated affiliates	(0.7)	(1.3)	—	—	(2.0)
Proceeds from sale of fixed assets	—	—	1.2	—	1.2
Net cash provided by (used in) investing activities	(2.5)	(2.0)	(18.1)	—	(22.6)
Financing activities:					
Net borrowings under revolving loan facilities	134.2	—	—	—	134.2
Repayment of long term debt	—	—	(1.4)	—	(1.4)
Cash contributions by parent	—	134.2	1,003.8	(1,138.0)	—
Cash distributions from subsidiaries	1,041.8	—	—	(1,041.8)	—
Cash distributions to parent		(32.4)	(1,009.4)	1,041.8	—
Cash distributions to subsidiaries	(1,138.0)	—	—	1,138.0	—
Intercompany advances—net of repayments	33.7	(142.4)	108.7	—	—
Net cash provided by (used in) financing activities	71.7	(40.6)	101.7	—	132.8
Effect of exchange rate changes on cash	4.0	—	(7.1)	—	(3.1)
Increase in cash and cash equivalents	(17.8)	1.8	(10.1)	—	(26.1)
Cash and cash equivalents at beginning of period	19.0	0.3	56.1	—	75.4
Cash and cash equivalents at end of period	$ 1.2	$ 2.1	$ 46.0	$ —	$ 49.3

HUNTSMAN INTERNATIONAL LLC AND SUBSIDIARIES

CONSOLIDATING CONDENSED STATEMENTS OF CASH FLOW

THREE MONTHS ENDED MARCH 31, 2002 (UNAUDITED) (Dollars in Millions)

	Parent Only Huntsman International	Guarantors	Non-Guarantors	Eliminations	Consolidated Huntsman International
Net cash provided by operating (used in) activities	$ (62.3)	$ 17.5	$ 18.8	$ —	$ (26.0)
Investing activities:					
Capital expenditures	(2.4)	(0.7)	(44.1)	—	(47.2)
Net cash received from unconsolidated affiliates	—	0.9	—	—	0.9
Advances to unconsolidated affiliates	(0.7)	—	—	—	(0.7)
Net cash provided by (used in) investing activities	(3.1)	0.2	(44.1)	—	(47.0)
Financing activities:					
Borrowings under credit facilities	95.0	—	—	—	95.0
Repayment of credit facilities	(341.7)	—	(1.8)	—	(343.5)
Issuance of senior subordinated notes	300.0				300.0
Debt issuance costs	(9.6)	—	—	—	(9.6)
Cash contributions by parent	—	90.0	606.5	(696.5)	—

Cash distributions from subsidiaries	709.3	(79.0)	(630.3)	(709.3)	—
Cash distributions to subsidiaries	(696.5)	—	—	696.5	—
Intercompany advances—net of repayments	1.7	(29.9)	28.2	—	—
Net cash provided by (used in) financing activities	58.2	(18.9)	2.6	—	41.9
Effect of exchange rate changes on cash	2.8	—	0.3	—	3.1
Increase in cash and cash equivalents	(4.4)	(1.2)	(22.4)	—	(28.0)
Cash and cash equivalents at beginning of period	21.0	2.8	60.1	—	83.9
Cash and cash equivalents at end of period	$ 16.6	$ 1.6	$ 37.7	$ —	$ 55.9

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

Forward-looking Statements

Some of the statements contained in this report are forward-looking in nature. In some cases, you can identify forward-looking statements by terminology such as "believes," "expects," "may," "will," "should," "anticipates" or "intends" or the negative of such terms or other comparable terminology, or by discussions of strategy. You are cautioned that our business and operations are subject to a variety of risks and uncertainties, and, consequently, our actual results may materially differ from those projected by any forward-looking statements. Some of the risks and uncertainties are discussed below in "—Cautionary Statement for Forward Looking Information" and elsewhere in this report. We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances after the date any such statement is made.

General

Our company, Huntsman International LLC, formerly known as Huntsman ICI Chemicals LLC, is a Delaware limited liability company. For convenience in this report, the terms "Company," "our," "us" or "we" may be used to refer to Huntsman International LLC and, unless the context otherwise requires, its subsidiaries.

All of our membership interests are owned by Huntsman International Holdings LLC ("HIH"). HIH is a Delaware limited liability company and its membership interests are owned 60% by Huntsman Specialty Chemicals Corporation ("Huntsman Specialty"), and 40% by HMP Equity Holdings Corporation ("HMP"). See "—Recent Events—Purchase of HIH Membership Interests" for a discussion of HMP's purchase of the 30% interest in HIH previously owned indirectly by Imperial Chemical Industries PLC ("ICI") and the purchase by HMP of the approximately 9% interest in HIH previously owned by institutional investors.

Huntsman Specialty, a Delaware corporation, is owned 100% by Huntsman Specialty Chemicals Holdings Corporation, a Utah corporation ("HSCHC"), and HSCHC is owned 100% by Huntsman LLC. Huntsman LLC, a Utah limited liability company, is owned 100% by HMP. HMP is a Delaware corporation and is owned 100% by Huntsman Group Inc., a Delaware corporation. Huntsman Group Inc. is owned 100% by Huntsman Holdings, LLC ("Huntsman Holdings"), a Delaware limited liability company. The voting membership interests of Huntsman Holdings are owned by the Huntsman family, MatlinPatterson Global Opportunities Partners, L.P. ("GOP"), Consolidated Press (Finance) Limited ("CPH") and certain members of our senior management. In addition, Huntsman Holdings has issued certain non-voting preferred units to Huntsman Holdings Preferred Member LLC, which, in turn, is owned by GOP (indirectly), CPH, the Huntsman Cancer Foundation, certain members of our senior management and certain members of the Huntsman family. The Huntsman family has board and operational control of our Company.

We derive our revenues, earnings and cash flow from the sale of a wide variety of differentiated and commodity chemicals. We manage our operations through our four principal operating segments: Polyurethanes, Performance Products, Pigments, and Base Chemicals. We manufacture products at facilities located in North America, Europe, Asia and Africa, and our products are sold throughout the world.

Our products are divided into two broad categories—differentiated and commodity chemicals. Our Polyurethanes and Performance Products businesses mainly produce differentiated products and our Pigments and Base Chemicals businesses mainly produce commodity chemicals. Among our commodity products, our Pigments business, while cyclical, tends to follow different trends and is not influenced by the same factors as our petrochemical-based commodity products. In addition, there are a limited number of significant competitors in our Pigments business, relatively high barriers to entry and strong

customer loyalty. Each of our four operating segments is impacted to varying degrees by economic conditions, prices of raw materials and global supply and demand pressures.

Historically, the demand for many of the products which we produce in our Polyurethanes segment has been relatively resistant to changes in global economic conditions as industry growth in product demand has been strongly influenced by continuing product substitution, innovation and new product development. The stability of demand has also benefited from the wide variety of end markets for our Polyurethanes products. Sales volumes of MDI products have grown at rates in excess of global GDP growth. 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.

The demand for many of the products we produce in our Performance Products segment has also been relatively resistant to changes in global economic conditions. Like our Polyurethanes segment, Performance Products growth is strongly influenced by product substitution, innovation and new product development. Also, demand stability benefits from a broad range of end markets. A significant portion of our Performance Products are sold into consumer end use applications including household detergents, personal care products and cosmetics. As such, demand for these products has been relatively stable and tends to be less susceptible to changes in global economic conditions.

Historically, growth in demand for TiO_2 pigments has generally been in line with GDP growth rates. 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 suppliers, contract arrangements and cyclicality. The industry experiences some seasonality in its sales because sales of paints in Europe and North America, the largest end use for TiO_2, are generally highest in the spring and summer months in those regions. This results in greater sales volumes in the first half of the year because the proportion of our TiO_2 products sold in Europe and North America is greater than that sold in Asia and the rest of the world.

Many of the markets for the Base Chemicals products, particularly ethylene, propylene, paraxylene and cyclohexane, are cyclical and sensitive to changes in the balance between supply and demand, the price of raw materials, and the level of general economic activity. Historically, these markets have experienced alternating periods of tight supply and rising prices and profit margins, followed by periods of capacity additions resulting in over-capacity and falling prices and profit margins. Demand for the majority of our Base Chemicals has generally grown at rates that are approximately equal to or slightly greater than GDP growth. Market conditions during much of the 2000 through 2002 period were characterized by a general weakening in demand and overcapacity. We believe that weak economic conditions have resulted in a contraction in production capacity. If this contraction in industry capacity is sustained and if demand growth returns to the rates which have been achieved historically, we believe that industry profitability will improve.

Recent Events

Purchase of HIH Membership Interests

On May 9, 2003, HMP issued senior discount notes (the "HMP Senior Discount Notes"), with warrants to purchase 12% of HMP's fully diluted common stock as of such date. HMP used the proceeds to exercise an option that it held and purchased the 30% membership interest in HIH held indirectly by ICI. HMP also used the proceeds to complete the purchase of the senior subordinated reset discount notes due 2009 of HIH that were originally issued to ICI (the "B Notes"). The B Notes held by HMP will remain outstanding. In addition, HMP used such proceeds to acquire the approximately 9% of the membership interests in HIH from institutional investors. Accordingly, HMP directly owns 40% of the membership interests of HIH and the B Notes. HMP indirectly owns the remaining 60% of HIH through its ownership of all of the equity of Huntsman LLC.

As a result of HMP's purchase of the HIH membership interests from ICI, the put option arrangements between Huntsman Specialty and ICI have been effectively terminated.

Huntsman Specialty has pledged a total of 60% of the memberships interests in HIH as collateral under the Huntsman LLC senior secured credit facilities. HMP has separately pledged all of its assets, including the remaining 40% membership interests in HIH, the B Notes and the 100% interest in Huntsman LLC, as collateral under the HMP Senior Discount Notes.

Amendment of HI Credit Facilities

On February 7, 2003, our Company amended its senior secured credit facilities (the "HI Credit Facilities"). The amendments resulted in, among other things, changes to certain financial covenants, including the "Interest Coverage Ratio" and "Leverage Ratio" covenants, through the second quarter of 2004.

On April 9, 2003, the Company amended the HI Credit Facilities to allow prepayment of the next 16 months of amortization with proceeds raised in its $150 million note offering.

2003 Senior Notes Offering

On April 11, 2003, we sold $150 million in aggregate principal amount of 9.875% Senior Notes due 2009 in a transaction exempt from the registration requirements of the Securities Act of 1933. The offering was priced at 105.25% plus accrued interest from March 1, 2003. We used approximately $26 million of the net proceeds to repay part of the revolving portion of the HI Credit Facilities. The balance of the net proceeds was used primarily to prepay the next 16 months of scheduled amortization due under the term portion of the HI Credit Facilities.

Continued Cost Reduction Initiatives

On March 11, 2003, the Company announced that, in its Polyurethanes segment, it is integrating its global flexible products division into its global derivatives division and recorded a charge of $17.1 million in the first quarter 2003. This charge relates to a portion of an overall corporate cost reduction program that is expected to be implemented and recorded throughout 2003. This $17.1 million charge represents severance and is included in accrued liabilities.

Possible Transaction Involving Vantico

Our parent companies, HMP and Huntsman Holdings, and GOP are involved in a proposed restructuring of Vantico Group S.A. and its subsidiaries (collectively, "Vantico"), a leading European based global epoxy resin producer providing solutions in the fields of innovative coatings, structural composites, adhesives, tooling materials, and electric and electronic insulation. If the proposed restructuring occurs. Vantico would become our affiliate, but we will not own any securities of Vantico and will not be required to make any cash contributions to Vantico. We and our affiliates may enter into arms-length contractual arrangements with Vantico regarding management, technology and commercial matters, and certain of our current employees may assume senior positions at Vantico.

Chinese MDI Joint Venture

In January 2003, we entered into a joint venture agreement to build an MDI manufacturing plant near Shanghai, China with BASF and three Chinese chemical companies. 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 on March 7, 2003.

Results of Operations

Three Months Ended March 31, 2003 Compared to Three Months Ended March 31, 2002 (Unaudited) (Dollars in Millions)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Revenues	$ 1,297.7	$ 997.9
Cost of goods sold	1,162.3	872.4
Gross profit	135.4	125.5
Expenses of selling, general, and administrative, research, and development	100.8	97.6
Restructuring and plant closing costs	17.1	—
Operating income	17.5	27.9
Interest expense, net	(63.6)	(53.2)
Gain (loss) on sale of accounts receivable	(9.6)	(3.6)
Other income (expense)	(2.2)	0.4
Income (loss) before income taxes	(57.9)	(28.5)
Income tax benefit	7.9	31.4
Minority interests in subsidiaries income (loss)	—	(0.8)
Net income (loss)	$ (50.0)	$ 2.1
Depreciation and amortization	69.0	59.2
EBITDA(1)	$ 74.7	$ 83.9

(1) EBITDA is defined as earnings from continuing operations before interest, 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 accounting principles generally accepted in the United States ("U.S. 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. (See "Note 17—Operating Segment Information" of the consolidated financial statements).

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

	Three Months	Three Months

	Ended Mar 31, 2003	Ended Mar 31, 2002
Foreign exchange—unallocated	$ (2.9)	$ (4.3)
Loss on sale of accounts receivable	(9.6)	(3.6)
Asset write-down	(2.8)	—
Restructuring and reorganization	(17.1)	—

We use EBITDA to measure the financial performance of our global business units and for reporting the results of our operating segments. This measure includes all operating items relating to the businesses. It excludes items that principally apply to our Company as a whole. We believe that EBITDA is useful in helping investors assess the results of our business operations.

Three Months Ended March 31, 2003 Compared to Three Months Ended March 31, 2002

For the three months ended March 31, 2003, we had a net loss of $50.0 million on revenues of $1,297.7 million, compared to net income of $2.1 million on revenues of $997.9 million for the same period in 2002. The decrease of $52.1 million in net income was the result of the following items:

- Revenues for the three months ended March 31, 2003 increased by $299.8 million, or 30%, to $1,297.7 million from $997.9 million during the same period in 2002. Revenues increased in all segments due to higher average selling prices and increased sales volumes on most products. Average selling prices increased primarily due to the effects of increased underlying raw material prices but also benefited from market growth in the Polyurethanes and Pigments segments. Revenues also benefited from the strengthening of the Euro and GBP Sterling versus the U.S. dollar. The Euro and GBP Sterling were approximately 18% and 11% stronger, respectively, in the first quarter 2003 as compared to the same period in 2002.

- Gross profit for the three months ended March 31, 2003 increased by $9.9, to $135.4 million from $125.5 million in the same period in 2002. This increase was mainly the result of increased average selling prices which more than offset higher overall average feedstock prices in the first quarter of 2003 as compared to 2002.

- Selling, administrative and research and development ("SG&A") costs for the three months ended March 31, 2003 remained relatively flat as compared to the same period of 2002. Decreased costs resulting from our cost reduction efforts were offset by increased pension, insurance, and depreciation charges and the effect of foreign currency movements.

- Restructuring and plant closing costs increased by $17.1 million as a result of the charge taken in the first quarter 2003 in connection with the integration of our global flexible products division into our global derivatives division, both of which are part of our Polyurethanes segment. This charge relates to a portion of an overall corporate cost reduction program that is expected to be implemented and recorded throughout 2003.

- Net interest expense for the three months ended March 31, 2003 increased by $10.4 million to $63.6 million from $53.2 million for the same period in 2002. The increase was primarily due to additional debt in the first quarter 2003 and a negative impact from adjusting interest rate instruments to fair value in accordance with SFAS No.133.

- Income tax benefit decreased by $23.5 million to $7.9 million for the thee months ended March 31, 2003 as compared to $31.4 million for the same period in 2002. Our tax obligations are affected by the tax regimes of the jurisdictions in which we operate. Decreased tax benefits were due primarily to a change in the mix of income (loss) earned in these various jurisdictions.

The following table sets forth the sales and operating income for each of our operating segments.

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Revenues		
Polyurethanes	$ 554.9	$ 463.7
Performance Products	161.1	136.4
Pigments	246.1	202.2
Base Chemicals	372.2	213.6
Eliminations	(36.6)	(18.0)
Total	$ 1,297.7	$ 997.9
Operating income		
Polyurethanes	$ 4.3	$ 54.5

Performance Products	(0.6)	4.7
Pigments	13.1	(0.1)
Base Chemicals	14.5	(16.2)
Unallocated and other	(13.8)	(15.0)
Total	17.5	27.9

Polyurethanes

For the three months ended March 31, 2003, Polyurethanes revenues increased by $91.2 million, or 20% to $554.9 million from $463.7 million for the same period in 2002. MDI sales volumes increased by 6%, with volumes in the Americas and Asia increasing by 15% and 10%, respectively, while volumes in Europe decreased by 5%. Volumes in Asia and the Americas were higher primarily due to a combination of market growth and increased sales under co-producer arrangements. Europe was down due to a combination of a slowdown in the European rigids market and decreased co-manufacturing sales. The economic slowdown in Germany has impacted the building sector and product demand. MDI average selling prices increased approximately 10%, primarily in response to increased underlying raw material prices. Polyols sales revenues increased 18% in the first quarter 2003 compared with the first quarter 2002 due to a 7% increase in volumes and a 10% increase in average selling prices. Propylene oxide revenues declined 10% from first quarter 2002 to first quarter 2003 mainly due to the conversion of some sales from product sales arrangements to tolling arrangements. MTBE sales revenue increased 37% primarily as a result of 3% higher sales volumes and increased average selling prices in first quarter 2003 as compared to the same period in 2002. MTBE average selling prices increased as a result of higher underlying raw material prices and increased demand for gasoline.

For the three months ended March 31, 2003, Polyurethanes segment operating income decreased by $50.2 million to $4.3 million from $54.5 million for the same period in 2002. This decrease resulted mainly from higher feedstock prices, which were only partly offset by increased volumes and higher average selling prices. SG&A costs increased $4.9 million as savings from cost reduction efforts were more than offset by increased pension costs, foreign currency movements and increased depreciation. In addition, in March 2003, we announced a further restructuring and took a $17.1 million charge that is part of an overall cost reduction program that is expected to be implemented and recorded throughout 2003. The $17.1 million charge relates to severance costs.

Performance Products

For the three months ended March 31, 2003, Performance Products revenues increased by $24.7 million, or 18%, to $161.1 million from $136.4 million for the same period in 2002. Sales volumes

remained relatively flat with surfactants volumes increasing 1% and ethyleneamines volumes increasing 5%. Average selling prices in U.S. dollars for both surfactants and ethyleneamines increased 15% over the same period in 2002 mainly due to a weakening of the dollar versus the euro. Average selling prices in local currencies for surfactants products fell by 6% due to competitive activity and product mix.

For the three months ended March 31, 2003, Performance Products operating income decreased by $5.3 million from $4.7 million for the first quarter 2002 to a loss of $0.6 million. The increased revenues discussed above were offset by higher feedstock prices in the first quarter 2003, resulting in relatively flat margins period over period. Manufacturing and SG&A costs increased due to higher pension costs, insurance costs and foreign currency movements.

Pigments

For the three months ended March 31, 2003, Pigments revenues increased by $43.9 million, or 22%, to $246.1 million from $202.2 million in 2002. Sales volumes increased overall by 2% and average selling prices increased by 18%, of which 11% was due to favorable foreign currency movements. Underlying average selling prices increased by 9%, 7%, and 3% in Europe, Asia and North America respectively, due to the favorable industry supply-demand balance that has existed since early 2002.

For the three months ended March 31, 2003, Pigments operating income increased by $13.2 million, to $13.1 million from a loss of $0.1 million for the same period in 2002. This increase is mainly due to improved sales volumes and higher average selling prices resulting from a favorable supply-demand balance. Manufacturing costs increased mainly due to higher pension and insurance costs, foreign currency movements and higher depreciation charges following the commissioning of the Greatham, UK facility expansion in late 2002. SG&A costs increased mainly due to depreciation of our new SAP software system, increased pension costs and foreign currency movements.

Base Chemicals

For the three months ended March 31, 2003, Base Chemicals revenues increased by $158.6 million, or 74%, to $372.2 million from $213.6 million for the same period in 2002. In general sales volumes and average sales prices were each higher in the first quarter of 2003 than in the first quarter of 2002. Average selling prices were higher as a result of higher underlying feedstock costs, mainly driven by the war in Iraq combined with the impact of the Venezuelan oil strike. Sales prices of ethylene, propylene, benzene, paraxylene and cyclohexane increased by 51%, 75%, 128%, 72% and 101%, respectively. Sales volumes of ethylene, propylene, paraxylene and cyclohexane increased by 16%, 12%, 12% and 13%, respectively, generally due to improved market conditions. External benzene sales volumes were lower by 16% as more benzene was consumed internally in cyclohexane production.

For the three months ended March 31, 2003, Base Chemicals operating income increased by $30.7 million from a loss of $16.2 million

to income of $14.5 million. Margins in both the aromatics and olefins markets were stronger in the first quarter of 2003 than in the first quarter of 2002 following a tightening in market supply and demand balances. The cost of a primary feedstock, naphtha, was 68% higher in the first quarter of 2003 than in the same period in 2002. However the increase in feedstock costs was more than offset by increases in average selling prices. Other operating costs decreased primarily due to the sale of precious metals extracted from catalysts.

Unallocated and Other

Unallocated and other items includes unallocated corporate overhead, unallocated foreign exchange gains and losses, loss on the sale of accounts receivable, and other non-operating income and expense. For the three months ended March 31, 2003, operating income from unallocated items increased by $1.2 million to a loss of $13.8 million from a loss of $15.0 million for the same period in 2002. Loss on sale of accounts receivable increased by $6.0 million to $9.6 million from $3.6 million in

the first quarter of 2002. The increase was mainly attributable to $7.1 million in losses on foreign currency exchange contracts associated with our accounts receivable securitization program. A $2.8 million non-operating asset write down was also incurred in the first quarter of 2003.

Unallocated foreign exchange losses were $1.4 million lower, with $2.9 million in losses in the first quarter 2003 as compared to $4.3 million of losses in the first quarter 2002. Exchange gains and losses reported under unallocated items are generally offset in part by foreign exchange movements in the operating results of individual segments.

Liquidity and Capital Resources

Cash

Net cash used in operating activities for the three months ended March 31, 2003 was $133.2 million, as compared to $26.0 million for the same period in 2002. The increase in cash used was primarily attributable to a larger investment in net working capital in the 2003 period, resulting mainly from increases in average selling prices and higher underlying feedstock and raw material prices in the first quarter 2003.

Net cash used in investing activities for the three months ended March 31, 2003 was $22.6 million as compared to $47.0 million for the same period in 2002. The decrease in cash used in the 2003 period was largely attributable to increased spending in the first quarter 2002 in connection with the ICON modernization and expansion of our titanium dioxide manufacturing facility at Greatham, U.K. and the SAP project within our Pigments segment, both of which were completed in 2002.

Net cash provided by financing activities for the three months ended March 31, 2003 was $132.8 million, as compared to $41.9 million for the same period in 2002. The increase in cash provided by financing activities is mainly a result of increased revolver borrowings to fund operating cash needs as explained above.

Debt and Liquidity

As of March 31, 2003, we had $201.2 million of outstanding borrowings and approximately $2.0 million of outstanding letters of credit under our $400.0 million revolving credit facility which matures in June 2005 (with no scheduled commitment reductions), and we had $49.3 million in cash balances. We also maintain $25.0 million of short-term overdraft facilities, all of which was available at March 31, 2003.

On April 11, 2003, we sold $150 million in aggregate principal amount of 9.875% Senior Notes due 2009 (the "2003 Senior Notes") in a transaction exempt from the registration requirements of the Securities Act of 1933. The offering was priced at 105.25% plus accrued interest from March 1, 2003. We used approximately $26 million of the net proceeds to repay part of the revolving portion of the HI Credit Facilities. The balance of the net proceeds was used primarily to prepay the next 16 months of scheduled amortization due under the term portion of the HI Credit Facilities. On a pro forma basis, after considering the approximately $26 million repayment on the revolving portion of the HI Credit Facilities, as of March 31, 2003, our liquidity would be approximately $297 million.

As of March 31, 2003, we had outstanding variable rate borrowings of approximately $1.5 billion. For the three months ended March 31, 2003, the weighted average interest rate of these borrowings was approximately 6.0%. These rates do not consider the effects of interest rate hedging activities.

Contractual Obligations and Commercial Commitments

We have various purchase commitments for materials and supplies entered into in the ordinary course of business. Those commitments extend up to ten years and the purchase price is generally based on market prices subject to certain minimum price provisions.

Restructuring and Plant Closing Costs

As of December 31, 2002, we had a reserve for restructuring costs and plant closing costs of $7.1 million recorded in accrued liabilities. The entire amount was related to workforce reductions.

On March 11, 2003, we announced that, in our Polyurethanes segment, we are integrating our global flexible products division into our global derivatives division, and we recorded a charge of $17.1 million in the first quarter 2003. This charge relates to a portion of an overall corporate cost reduction program that is expected to be implemented and recorded throughout 2003. This $17.1 million charge represents severance and is included in accrued liabilities.

During the three months ended March 31, 2003, we made cash payments of approximately $4.2 million. At March 31, 2003 there was $20.0 million remaining in accrued liabilities.

Securitization of Accounts Receivable

We maintain a securitization program arranged by JP Morgan which commenced on December 21, 2000, under which certain trade receivables are transferred to a qualified special-purpose off-balance-sheet entity through December 2005. This entity is not an affiliate of our Company. The acquisitions of these receivables by the entity are financed through the issuance of commercial paper and/or medium term notes ("MTNs").

A portion of the MTNs is denominated in euros. The total outstanding balance of MTNs is approximately $183 million as of March 31, 2003. In addition to MTNs, the special purpose vehicle also maintains an annual commitment to issue commercial paper of up to $125 million. Subject to the annual seasonality of our accounts receivable, we estimate that the total net proceeds from the facility may approach between $305 to $310 million at certain periods during 2003. As of March 31, 2003, the special-purpose entity had total assets (consisting of cash and accounts receivable) of approximately $399 million, and $183 million of MTNs and $100 million of commercial paper outstanding. The weighted average interest rates on the MTNs and commercial paper was 2.4% and 1.3%, respectively, as of March 31, 2003.

During the three months ended March 31, 2003, we sold approximately $1,002 million in receivables and received $1,014 in proceeds. We recorded $9.6 million as a loss on receivables for the three months ended March 31, 2003. $7.1 million of the loss resulted from losses in foreign currency exchange contracts associated with the program. In accordance with the agreements governing the securitization program, an unconsolidated special purpose entity enters into certain foreign exchange forward contracts for periods aligned with the average maturity of receivables sold into the program. The periodic gains and losses associated with such contracts are recorded by our Company as part of the loss on sale of receivables.

The HI Credit Facilities require a mandatory prepayment to the extent that proceeds from the securitization facility exceed $310 million.

Investing Activities

Capital expenditures for the three months ended March 31, 2003 were $21.8 million, a decrease of approximately $25.4 million as compared to the same period in 2002. The decrease was largely attributable to expenditures in connection with the ICON 2 modernization and expansion of our titanium dioxide manufacturing facility at Greatham, U.K. and our SAP project within our Pigments segment, both of which were completed in 2002. We expect to spend approximately $190 million during 2003 on capital projects, including an investment in our Chinese MDI joint venture.

In connection with our agreements with our Rubicon and Louisiana Pigment joint ventures, we are obligated to fund our proportionate share of capital expenditures. During the three months ended March 31, 2003 and 2002, we invested $0.7 million and $0.7 million, respectively, in Rubicon. During the three months ended March 31, 2003 and 2002, we invested $1.3 million and received $0.9 million, respectively, from Louisiana Pigment.

Environmental Matters

General

The operation of chemical manufacturing plants, the distribution of chemical products and the related production of by-products and wastes entails risk of adverse environmental effects. As a result, 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 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 fines and civil or criminal sanctions. Moreover, changes in environmental regulations could inhibit or interrupt our operations, or require us to change our equipment or operations, and any such changes could have a material adverse effect on our businesses. Accordingly, given our businesses, environmental or regulatory matters may cause significant unanticipated losses, costs or liabilities.

Under some environmental laws, we may be jointly and severally liable for the costs of environmental contamination on or from our properties and at off-site locations where we disposed of or arranged for the disposal or treatment of hazardous wastes. For example, in the United States under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and similar state laws, a current owner or operator of real property may be liable for such costs regardless of whether the owner or operator owned or

operated the real property at the time of the release of the hazardous substances and regardless of whether the release or disposal was in compliance with law at the time it occurred. In addition, under the United States Resource Conservation and Recovery Act of 1976, as amended, and similar state laws, as the holder of permits to treat or store hazardous wastes, we may, under some circumstances, be required to remediate contamination at its properties regardless of when the contamination occurred. Similar laws are being developed or are in effect to varying degrees in other parts of the world, most notably in the European Union ("EU"). For example, in the U.K., the contaminated land regime now provides a detailed framework for the identification, management and remediation of contaminated sites. This law will likely increase governmental scrutiny of our U.K. facilities.

We may also incur future costs for capital improvements and general compliance under environmental laws, including costs to acquire, maintain and repair pollution control equipment. Capital expenditures are planned, for example, under national legislation implementing the EU Directive on Integrated Pollution Prevention and Control. Under this directive the majority of our European plants will, over the next few years, be required to obtain governmental authorizations which will regulate air and water discharges, waste management and other matters relating to the impact of operations on the environment, and to conduct site assessments to evaluate environmental conditions. Although the implementing legislation in most Member States is not yet in effect, it is likely that additional expenditures may be necessary in some cases to meet the requirements of authorizations under this directive. In particular, we believe that related expenditures to upgrade our wastewater treatment facilities at several sites may be necessary and associated costs may be material. Wastewater treatment upgrades unrelated to this initiative also are planned at certain facilities. In addition, we may also incur material expenditures, beyond currently anticipated expenditures, in complying with EU Directives, including the Directive on Hazardous Waste Incineration, the Seveso II Directive, which governs major accident hazards, as well as the Water Framework Directive. It is also possible that additional expenditures to reduce air emissions at two of our U.K. facilities may be material. Capital expenditures and, to a lesser extent, costs and operating expenses relating to environmental 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 material capital expenditures beyond those currently anticipated will not be required under environmental laws.

Potential Liabilities

Our operations involve the handling, transportation and use of numerous hazardous substances. From time to time, these operations may result in violations under environmental laws including spills or other releases of hazardous substances into the environment. In the event of a catastrophic incident, we could incur material costs or experience interruption in our operations as a result of addressing the incident and implementing measures to prevent such incidents in the future. Currently, we are aware of the following matters:

The Texas Commission on Environmental Quality (the "TCEQ," formerly the Texas Natural Resource Conservation Commission or TNRCC) has issued certain notices of violation relating to air emissions and wastewater issues at our Port Neches, Texas facility. Our Company and the TCEQ have reached a tentative settlement on penalties totaling $352,250, less than $100,000 of which is allocable to our PO/MTBE facility at Port Neches. The settlement will be reviewed by the TCEQ on May 29, 2003, and it is anticipated that it will be approved. Although management does not anticipate it, it is possible that the terms of an air permit, which we applied for as a result of the settlement, may cause us to incur costs related to equipment serving this plant and others in the vicinity that could be material.

On October 6, 2002, a leak of sulphuric acid from two tanks located near our Whitehaven, U.K. plant was discovered. About 342 to 347 tonnes of acid were released onto the ground and into the soil near the tanks. Although we took immediate steps to contain the spillage and recover acid, a quantity of acid reached a nearby beach via a geological fault. We believe the tanks were not owned by our Company; however, we did own the acid in the tanks. The EA and the Health and Safety Executive (the "HSE") are investigating the incident, and the HSE has issued three Improvement Notices requiring corrective action. Although we can give no assurances, based on currently available information and our understanding of similar investigations and penalties in the past, we believe that, if any charges are brought or additional corrective action orders issued and we are ultimately found to be legally responsible, the probable penalties would not be material to our financial position or results of operations.

We are aware that there is or may be soil or groundwater contamination at some of our facilities resulting from past operations. Based on available information and the indemnification rights (including indemnities provided by Huntsman Specialty, ICI, Rhodia S.A. and The Dow Chemical Company, for the facilities that each of them transferred to us), we believe that the costs to investigate and remediate known contamination will not have a material adverse effect on our financial condition, results of operations or cash flows; however, we cannot give any assurance that such indemnities will fully cover the costs of investigation and remediation, that we will not be required to contribute to such costs or that such costs will not be material.

By letter dated March 6, 2003, our subsidiary, Huntsman Ethyleneamines Ltd., was notified by the TCEQ of a probable enforcement action arising out of the inspection of the Freeport, Texas facility on December 16-19, 2002. Seven types of violations relating to Texas Clean Air Act requirements were cited. No penalty demand has yet been made by the TCEQ, although penalties are expected.

We have established financial reserves relating to environmental restoration and remediation programs, which we believe are sufficient for known requirements. Liabilities are recorded when site restoration and environmental remediation and clean-up obligations are either known or considered probable and can be reasonably estimated. These liabilities are based upon all available facts, existing technology, past experience and cost-sharing arrangements (as to which, we consider the viability of other parties). A total of approximately $24 million has been accrued related to environmental matters as of March 31, 2003. We do not anticipate that, as a result of compliance with current

environmental laws and regulations, any future costs in excess of those that have been accrued by our Company will be material to our results of operations or financial position. However, given the nature of our business, violations of environmental laws may result in restrictions imposed on our operating activities, substantial fines, penalties, damages or other costs, any of which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

MTBE Developments

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, the California Air Resources Board adopted regulations that would prohibit the addition of MTBE to gasoline as of January 1, 2004. Certain other states have also taken actions to restrict or eliminate the future use of MTBE. In connection with the proposed ban, the State of California requested that the U.S. Environmental Protection Agency (the "EPA") waive the federal oxygenated fuels requirements of the federal Clean Air Act for gasoline sold in California. The EPA denied the State's request on June 12, 2001. Certain of the state bans have been challenged in court as unconstitutional (in light of the Clean Air Act). We are unable to predict what the short- and long-term effects of these matters will be.

Bills have been introduced in the U.S. Congress to accomplish similar goals of curtailing or eliminating the oxygenated fuels requirements in the Clean Air Act, or of curtailing MTBE use. To date, no such legislation has become law. Whether a ban or substantial restrictions on MTBE use will become law in the future is unknown at this time.

In addition, on March 20, 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. In its notice, the EPA also called on the U.S. Congress to restrict the use of MTBE under the Clean Air Act. Any phase-out of or future regulation of MTBE in California (in which a significant

amount of MTBE is consumed), in other states, or nationally may result in a significant reduction in demand for MTBE and may result in a material loss in revenues or material costs or expenditures.

In Europe, the European Union (the "EU") issued a final risk assessment report on MTBE on September 20, 2002. While no ban of MTBE was recommended, several risk reduction measures relating to storage and handling of MTBE-containing fuel were recommended. Separate from EU action, Denmark entered into a voluntary agreement with refiners to reduce the sale of MTBE in Denmark. Under the agreement, use of MTBE in 92- and 95-octane gasoline in Denmark ceased by May 1, 2002; however, MTBE will still be an additive in a limited amount of 98-octane gasoline sold in about 100 selected service stations in Denmark.

In the event that there should be a phase-out of MTBE in the United States, we believe we will be able to export MTBE to Europe or elsewhere or use its co-product tertiary butyl alcohol ("TBA") to produce saleable products other than MTBE. We believe that our low production costs at our PO/MTBE facility will put us in a favorable position relative to other higher cost sources (primarily, on-purpose manufacturing). 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.

Furthermore, we cannot give any assurance that we will not be named in litigation relating to the environmental effects of MTBE or that such litigation will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

Recent Financial Accounting Standards

On January 1, 2002, we adopted SFAS No. 142, "*Goodwill and Other Intangible Assets.*" SFAS No. 142 changes the accounting for goodwill and intangible assets with indefinite lives from an amortization method to an impairment-only approach. Upon adoption of SFAS No. 142, we were required to reassess the useful lives of all acquired intangibles and perform an impairment test on goodwill. In the first quarter of 2002, we completed the assessment of useful lives and concluded that no adjustment to the amortization period of intangible assets was necessary.

We have completed our initial assessment of goodwill impairment as of January 1, 2002 and have concluded that there is no indication of impairment. We have elected to test goodwill for impairment annually as of April 1 as required by SFAS No. 142. The annual assessment has been completed as of April 1, 2002 and we have concluded that there is no indication of impairment. As of December 31, 2002, we had no goodwill on our balance sheet.

On January 1, 2002, we adopted SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets* ." This statement establishes a single accounting model for the impairment or disposal of long-lived assets. The impact of adopting this pronouncement was not material.

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "*Accounting for Asset Retirement Obligations*." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible, long-lived assets and the associated asset retirement costs. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred by capitalizing it as part of the carrying amount of the long-lived assets. As required by SFAS No. 143, we adopted this new accounting standard on January 1, 2003. We believe this statement's impact will not be significant; however, standard-setters continue to debate the statement's applicability to assets where the timing of any ultimate obligation is indefinite.

In April 2002, the FASB issued SFAS No. 145, "*Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Other Technical Corrections*." In addition to amending or rescinding pronouncements to make various technical corrections, clarify meanings or describe

applicability, SFAS No. 145 precludes companies from recording gains or losses from extinguishment of debt as an extraordinary item. We were required to adopt this statement as of January 1, 2003. The adoption of SFAS No. 145 did not have a material effect on our consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "*Accounting for Costs Associated With Exit or Disposal Activities* ." SFAS No. 146 requires recording costs associated with exit or disposal activities at their fair values when a liability has been incurred. Under previous guidance, certain exit costs were accrued upon management's commitment to an exit plan, which is generally before an actual liability has been incurred. We adopted this pronouncement in the first quarter of 2003. The adoption of SFAS No. 146 did not have a material effect on our consolidated financial statements.

In January 2003, the FASB issued Financial Interpretation ("FIN") No. 45, "*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others*." FIN No. 45 requires recognition of a liability for the obligation undertaken upon issuing a guarantee. This liability would be recorded at the inception date of the guarantee and would be measured at fair value. The disclosure provisions of the interpretation are effective for the financial statements as of December 31, 2002. The liability recognition provisions apply prospectively to any guarantees issued or modified after December 31, 2002. The adoption of FIN No. 45 did not have a material effect on the Company's consolidated financial statements.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Our significant accounting policies are summarized in "Note 2—Summary of Significant Accounting Policies" to our consolidated financial statements. Summarized below are our critical accounting policies:

Long-Lived Assets

The most critical policy that impacts our operating assets is the determination of useful lives of our property, plant and equipment. 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 20 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.

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 2002 and 2001 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 reflect management's best estimates of all the costs necessary to exit the activity. Estimates for plant closing include the write-off of the carrying value of the plant, any necessary environmental and/or regulatory costs, contact termination and demolition costs. Estimates for work force reductions and other cost savings are recorded based upon estimates of

the number of positions to be terminated, termination benefits to be provided and other information as necessary. Generally, the restructuring plans are expected to be substantially complete within 12 months of the plan. 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. Due to the relatively short-term nature of the restructuring plans, significant adjustments to the restructuring reserves have not been recorded.

Employee Benefit Programs

We sponsor various contributory and non-contributory defined benefit plans covering employees in the U.S., 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.

During 2002, we revised several of our key assumptions as a result of current economic conditions based upon discussions with our actuaries, the historical long-term returns of our pension assets, recent market information related to interest rates and equity performance. Specifically, we reduced our average expected long-term rate of return assumption from 7.05% to 7% and discount rate from 5.74% to 5.51%. We do not expect a significant increase in cash funding of the plans will be required in 2003.

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 16—Environmental Matters" to the consolidated financial statements.

Changes in Financial Condition

The following information summarizes our working capital position as of March 31, 2003 and December 31, 2002 (dollars in millions):

	March 31 2003	December 31, 2002	Difference
Current assets:			
Cash and cash equivalents	$ 49.3	$ 75.4	$ (26.1)
Accounts and notes receivables	548.9	467.9	81.0
Inventories	600.2	561.3	38.9
Prepaid expenses	16.7	22.0	(5.3)
Deferred income taxes	31.2	31.2	—
Other current assets	71.5	75.4	(3.9)
Total current assets	1,317.8	1,233.2	84.6
Current liabilities:			
Accounts payable	324.5	314.8	9.7
Accrued liabilities	482.2	523.8	(41.6)
Current portion of long-term debt	1.3	43.9	(42.6)
Other current liabilities	27.6	28.7	(1.1)
Total current liabilities	835.6	911.2	(75.6)
Working capital	$ 482.2	$ 322.0	$ 160.2

As of March 31, 2003, our working capital increased by $160.2 million as a result of the net impact of the following significant changes:

- The decrease in cash balances of $26.1 million results from the matters identified in the Consolidated Statement of Cash Flows set out in our consolidated financial statements;
- The increase in accounts receivable of $81.0 million is due primarily to higher average selling prices resulting partly in response to increased underlying feedstock and raw material prices, in addition to a strong euro versus the U.S. dollar;
- The increase in inventories of $38.9 million is mainly due to an increase in feedstock and raw material prices, seasonality of inventory levels and foreign currency movements;
- The decrease in accrued liabilities of $41.6 million results primarily from payments of accrued interest, property taxes, and other accrued expenses; and
- The decrease in current portion of long-term debt of $42.6 million is due to the prepayment of scheduled debt payments on the term portion of the HI Credit Facilities with the proceeds of the Senior Notes issued on April 11, 2003.

Cautionary Statement for Forward-Looking Information

Certain information set forth in this report contains "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions 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 to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this report. The following are among the factors that could cause actual results to differ materially from the forward-looking statements. There may be other factors, including those discussed elsewhere in this report, that may cause our actual results to differ materially from the forward-looking statements. Any forward-looking statements should be considered in light of the risk factors specified in our 2002 annual report on Form 10-K, some of which are summarized below.

- Demand for some of our products is cyclical and we may experience prolonged depressed market conditions for our products.
- We have substantial debt that we may be unable to service and that restricts our activities, which could adversely affect our ability to meet our obligations.
- Certain events affecting HMP and Huntsman LLC could result in a "change of control" under the agreements and instruments governing our debt.
- If our subsidiaries do not make sufficient distributions to us, then we will not be able to make required payments on our debt.
- The significant price volatility of many of our raw materials may result in increased costs.
- The industries in which we compete are highly competitive and we may not be able to compete effectively with our competitors that are larger and have greater resources.
- If we are unable to integrate successfully the businesses that we acquire, then our ability to meet our debt service obligations may be impaired.
- Our ability to repay our debt may be adversely affected if our joint venture partners do not perform their obligations or we have disagreements with them.
- Pending or future litigation or legislative initiatives related to MTBE may subject us to products or environmental liability or materially adversely affect our sales.
- If our key suppliers are unable to provide the raw materials necessary in our production, then we may not be able to obtain raw materials from other sources on favorable terms, if at all.
- If we are unable to maintain our relationships with Huntsman LLC and ICI, then we may not be able to replace on favorable terms our contracts with them or the services and facilities that they provide, if at all.
- We are subject to many environmental and safety regulations that may result in unanticipated costs or liabilities.
- Huntsman LLC may have conflicts of interest with us, and these conflicts could adversely affect our business.

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

- Terrorist attacks, such as the attacks that occurred on September 11, 2001, instability in Venezuela and the Middle East and other attacks or acts of war may adversely affect the markets in which we operate, our operations and our profitability.

ITEM 3. 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 foreign currency market risk is somewhat limited since 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. 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 set on a 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. Short-term exposures to changing foreign currency exchange rates at certain foreign subsidiaries are first netted 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 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 March 31, 2003, we had no outstanding forward foreign exchange contracts. Predominantly, our hedging activity is to sell forward the majority of our surplus non-dollar receivables for U.S. dollars.

Under the terms of the HI Credit Facilities, we are required to hedge a significant portion of our floating rate debt. As of March 31, 2003, we had entered into approximately $353.9 million notional amount of interest rate swap, cap and collar transactions, which have remaining terms ranging from approximately one to eighteen months. 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 5.84% to approximately 6.91%. The U.S. dollar collar transactions carry floors ranging from 5.0% to 6.25% and caps ranging from 6.25% to 7.25%. We have also entered into a euro-denominated swap transaction that obligates us to pay a fixed rate of approximately 4.31%. 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. Assuming a 1.0% (100 basis point) increase in interest rates, without giving effect to interest rate hedges, the effect on the annual interest expense would be an increase of approximately $15 million. This increase would be reduced by approximately $3.5 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 our overall raw material costs, 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 entirely eliminate the effects of changes in commodity prices on our cash flows and earnings. At March 31, 2003, we had forward purchase contracts for 35,000 tonnes of naphtha and 65,000 tonnes of other hydrocarbons, which do not qualify for hedge accounting. Assuming a 10%

increase or a 10% decrease in the price per ton of naphtha, the change would result in losses and gains of approximately $1.7 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

(a) Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-14(c) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), within 90 days of the filing date of this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to our Company (including its consolidated subsidiaries) required to be included in our reports filed or submitted under the Exchange Act.

(b) There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation references in paragraph (a) above.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are a party to various proceedings instituted by private plaintiffs, governmental authorities and others arising under provisions of applicable laws, including various environmental, products liability and other laws. Except as otherwise disclosed in this report, 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 "Part I—

Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations—Environmental Matters" for a discussion of environmental proceedings.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

10.1 Sixth Amendment to Credit Agreement, dated as of April 9, 2003, among Huntsman International LLC, Huntsman International Holdings LLC and the various agents and lending institutions party thereto

10.2 Slag Sales Agreement—Amendment, dated as of February 21, 2003, among Qit-Fer Et Titane Inc. and Tioxide Europe Limited (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)

10.3 UGS Sales Agreement, dated as of February 21, 2003, among Qit-Fer Et Titane Inc. and Tioxide Europe Limited (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)

99.1 Certification of Chief Executive Officer

99.2 Certification of Chief Financial Officer

(b) Reports Submitted on Form 8-K:

We filed current reports on Form 8-K on the following specified dates:

February 13, 2003, with respect to Item 9;

April 2, 2003, with respect to Item 9;

April 11, 2003, with respect to Item 9; and

April 28, 2003, with respect to Items 9 and 12.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HUNTSMAN INTERNATIONAL LLC

/s/ J. KIMO ESPLIN

J. Kimo Esplin
Executive Vice President and Chief Financial Officer (Authorized Signatory and Principal Financial and Accounting Officer)

Date: May 14, 2003

CERTIFICATION

I, Peter R. Huntsman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Huntsman International LLC;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ PETER R. HUNTSMAN

Peter R. Huntsman
Chief Executive Officer

I, J. Kimo Esplin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Huntsman International LLC;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and

the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ J. KIMO ESPLIN

J. Kimo Esplin
Chief Financial Officer

Exhibit Index

10.1 Sixth Amendment to Credit Agreement, dated as of April 9, 2003, among Huntsman International LLC, Huntsman International Holdings LLC and the various agents and lending institutions party thereto

10.2 Slag Sales Agreement—Amendment, dated as of February 21, 2003, among Qit-Fer Et Titane Inc. and Tioxide Europe Limited (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)

10.3 UGS Sales Agreement, dated as of February 21, 2003, among Qit-Fer Et Titane Inc. and Tioxide Europe Limited (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)

99.1 Certification of Chief Executive Officer

99.2 Certification of Chief Financial Officer

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Exhibit 10.1

SIXTH AMENDMENT

This SIXTH AMENDMENT (this "*Amendment*"), dated as of April 9, 2003, is entered into by and among Huntsman International LLC (f/k/a Huntsman ICI Chemicals LLC), a Delaware limited liability company (the "*Borrower*"), Huntsman International Holdings LLC (f/k/a Huntsman ICI Holdings LLC), a Delaware limited liability company ("*Holdings*"), the undersigned financial institutions, including Deutsche Bank Trust Company Americas (formerly named Bankers Trust Company), in their capacities as lenders hereunder (collectively, the "*Lenders*," and each individually, a "*Lender*"), Deutsche Bank Trust Company Americas (formerly named Bankers Trust Company), as Lead Arranger, Administrative Agent ("*Administrative Agent*") for the Lenders and Sole Book Manager, Goldman Sachs Credit Partners L.P., as Syndication Agent and Co-Arranger and The Chase Manhattan Bank and UBS Warburg LLC (as successor to Warburg Dillon Read), as Co-Arrangers and as Co-Documentation Agents (collectively, the "*Agents*" and each individually, an "*Agent*"). Terms used herein and not otherwise defined herein shall have the same meanings as specified in the Credit Agreement (as defined below).

RECITALS:

A. The Borrower, Holdings, the Lenders, the Agents and the Administrative Agent have heretofore entered into that certain Credit Agreement dated as of June 30, 1999, as amended by that certain First Amendment dated as of December 21, 2000, that certain Second Amendment dated as of March 5, 2001, that certain Third Amendment dated as of November 30, 2001, that certain Fourth Amendment dated as of March 15, 2002 and that certain Fifth Amendment dated as of February 7, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*").

B. The Borrower and Holdings wish, and the Lenders signatory hereto and the Agents and Administrative Agent are willing, to amend the Credit Agreement subject to the terms and conditions of this Agreement.

C. This Agreement constitutes a Loan Document and these Recitals shall be construed as part of this Agreement.

NOW, THEREFORE, in consideration of the recitals herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendment of Credit Agreement.

The Credit Agreement is hereby amended as of the Sixth Amendment Effective Date as follows:

(a) *Section 1.1* of the Credit Agreement is hereby amended by adding the following definitions in their proper alphabetical order:

"*Sixth Amendment*" means that certain Sixth Amendment to this Agreement dated as of April 9, 2003.

"*Sixth Amendment Effective Date*" has the meaning set forth in Section 2 of the Sixth Amendment.

(b) *Section 4.5(e)(ii)* of the Credit Agreement is hereby amended by adding the following new sentence immediately at the end of such section:

"Notwithstanding anything else in this *Section 4.5(e)(ii)* to the contrary, any prepayment of principal required to be made by the Borrower pursuant to *Section 4.4(m)(ii)* during the period beginning on the Sixth Amendment Effective Date and ending on May 15, 2003 in an amount not exceeding $200 million, shall be applied, first, in an amount equal to 17% of the Net Offering Proceeds thereof, to reduce pro rata the outstanding balance of the Domestic Revolving Loans and

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Multicurrency Revolving Loans (in each case without any permanent reduction in the applicable Commitment), second shall be applied, subject to *Section 4.5(c)*, to the Scheduled Term A Dollar Repayments, the Dollar Equivalent amount of the Scheduled Term A Euro Repayments, the Scheduled Term B Repayments and the Scheduled Term C Repayments due within the 16 month period following the date of such prepayment in direct order of maturity and thereafter, subject to *Section 4.5(c)*, shall be applied in proportional amounts equal to the Term A Dollar Percentage, the Term A Euro Percentage, Term B Percentage and Term C Percentage (in each case, after giving effect to the prepayments made to the Scheduled Term A Dollar Repayments, the Scheduled Term A Euro Repayments, Scheduled Term B Repayments and Scheduled Term C Repayments due within such 16 month period as specified above), as the case may be, of such remaining prepayment, if any, and within each Term Loan, shall be applied to reduce the remaining Scheduled Term A Repayments, Scheduled Term B Repayments and Scheduled Term C Repayments on a pro rata basis (based upon the then remaining principal amount of such Scheduled Term A Dollar Repayments, Scheduled Term A Euro Repayments, Scheduled Term B Repayments and Scheduled Term C Repayments, respectively)."

(c) *Section 8.2(o)* of the Credit Agreement is hereby amended by (i) adding the parenthetical "(including intraday cash management lines relating thereto)" immediately following the word "Indebtedness" where such word first appears in such Section; and (ii) adding the parenthetical "(other than intraday cash management lines relating thereto)" immediately following the

word "Indebtedness" in each other place where such word appears in such Section.

SECTION 2. Conditions to Effectiveness of the Amendment. The provisions of this Amendment shall become effective upon the date of the satisfaction of all of the conditions set forth in this *Section 2* (the "*Sixth Amendment Effective Date*"):

2.1 ***Proper Execution and Delivery of Amendment***. Borrower, Holdings, the Administrative Agent and the Required Lenders shall have duly executed and delivered to Administrative Agent this Amendment.

2.2 ***Delivery of Credit Party Documents***. On or before the date hereof, Borrower shall deliver or cause to be delivered to Administrative Agent the following with respect to each of Borrower and Holdings, each, unless otherwise noted, dated the Sixth Amendment Effective Date:

(a) Certified copies of its Certificate of Formation, together with a good standing certificate from the Secretary of State of the jurisdiction of its incorporation and each other state in which it is qualified as a foreign corporation to do business and where failure to be so qualified would have a Material Adverse Effect and, to the extent generally available, a certificate or other evidence of good standing as to payment of any applicable franchise or similar taxes from the appropriate taxing authority of each of such states, each dated a recent date prior to the Sixth Amendment Effective Date or, in the event that any such document has been previously delivered by the Borrower to the Administrative Agent, a certificate executed by a Responsible Officer of the Borrower indicating that no change has occurred with respect to such document;

(b) Copies of its operating agreement or limited liability company agreement, certified by its corporate secretary or an assistant secretary or a certificate of the lack of any change thereto since the Initial Borrowing Date or, in the event that any such document has been previously delivered by the Borrower to the Administrative Agent, a certificate executed by a Responsible Officer of the Borrower indicating that no change has occurred with respect to such document;

(c) Resolutions of its members, manager or board of managers (i) approving and authorizing the execution, delivery and performance of this Amendment, and (ii) approving and authorizing the execution, delivery and performance of the other Loan Documents to which it is a party and all transactions related thereto, in each case certified as of the Sixth Amendment Effective Date by its

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corporate secretary or an assistant secretary as being in full force and effect without modification or amendments;

(d) Signature and incumbency certificates of its officers executing this Amendment; and

(e) Such other instruments and documents in respect of such matters as Administrative Agent shall reasonably request.

2.3 ***Representations and Warranties; Default; Officer's Certificate***. After giving effect to this Amendment, the representations and warranties set forth in *Article VI* of the Agreement shall be true and correct, except to the extent such representations and warranties are expressly made as of a specified date in which event such representations and warranties shall be true and correct as of such specified date, and no Event of Default or Unmatured Event of Default shall have occurred or be continuing and Administrative Agent shall have received a certificate executed by a Responsible Officer on behalf of Borrower, dated the Sixth Amendment Effective Date stating that, after giving effect to this Amendment, the representations and warranties set forth in *Article VI* of the Agreement are true and correct as of the date of the certificate, except to the extent such representations and warranties are expressly made as of a specified date in which event such representations and warranties shall be true and correct as of such specified date, that no Event of Default or Unmatured Event of Default has occurred and is continuing, and that the conditions of this *Section 2* hereof have been fully satisfied or waived.

2.4 ***Fees***. Borrower shall have paid to Administrative Agent and the Lenders all costs, fees and expenses (including, without limitation, reasonable legal fees and expenses) payable to Administrative Agent and the Lenders to the extent then due, including, without limitation, pursuant to *Section 4* of this Amendment.

2.5 ***Corporate Proceedings***. All corporate and legal proceedings and all instruments and agreements in connection with the execution and delivery of this Amendment shall be satisfactory in form and substance to Administrative Agent and the Required Lenders and Administrative Agent and all Lenders shall have received all information and copies of all documents and papers, including records of corporate proceedings, governmental approvals, good standing certificates and bring-down telegrams or certificates, if any, which Administrative Agent or such Lender reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate or Governmental Authorities.

Each Lender and the Administrative Agent hereby agrees that by its execution and delivery of its signature page hereto, such Person approves of and consents to each of the matters set forth in *Section 2* which must be approved by, or which must be satisfactory to, the Required Lenders or such Person, as the case may be; *provided* that, in the case of any agreement or document which must be approved by, or which must be satisfactory to, the Required Lenders, Administrative Agent or Borrower shall have delivered a copy of such agreement or document to such Person if so requested on or prior to the Sixth Amendment Effective Date.

SECTION 3. References to and Effect on the Credit Agreement. On and after the date hereof each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import, and each reference to the Credit Agreement, as the case may be, in the Loan Documents and all other documents (the "Ancillary Documents") delivered in connection with the Credit Agreement shall mean and be a reference to the Credit Agreement as amended hereby.

Except as specifically amended above, the Credit Agreement, and the other Loan Documents and all other Ancillary Documents shall

remain in full force and effect and are hereby ratified and confirmed.

The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders or Administrative Agent under the Credit Agreement, the Loan Documents or the Ancillary Documents.

SECTION 4. Fees, Costs and Expenses. (a) Borrower agrees to pay a fee to the Administrative Agent on or prior to the Sixth Amendment Effective Date on behalf of each Lender which has executed and delivered this Amendment on or prior to 5:00 p.m. E.S.T. on April 9, 2003 equal to ..05% times the sum of the Domestic Revolving Commitment, Multicurrency Revolving Commitment and outstanding Term Loans of such Lender as in effect under the Credit Agreement on the Sixth Amendment Effective Date, such fee to be due and payable on the Sixth Amendment Effective Date; and (b) Borrower also agrees to pay all reasonable costs and expenses of the Administrative Agent in connection with the negotiation, preparation, printing, typing, reproduction, execution and delivery of this Amendment and all other documents furnished pursuant hereto or in connection herewith, including without limitation, the reasonable fees and out-of-pocket expenses of Winston & Strawn, special counsel to Administrative Agent and any local counsel retained by Administrative Agent relative thereto or the reasonable allocated costs of staff counsel as well as the fees and out-of-pocket expenses of counsel, independent public accountants and other outside experts retained by Administrative Agent in connection with the administration of this Amendment.

SECTION 5. Miscellaneous.

5.1 ***Execution in Counterparts***. This Amendment may be executed in one or more counterparts, each of which, when executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same document with the same force and effect as if the signatures of all of the parties were on a single counterpart, and it shall not be necessary in making proof of this Amendment to produce more than one (1) such counterpart. Delivery of an executed signature page to this Amendment by telecopy shall be deemed to constitute delivery of an originally executed signature page hereto.

5.2 ***Governing Law***. THIS AMENDMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK, AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS AND DECISIONS OF SAID STATE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

5.3 ***Headings.*** Headings used in this Amendment are for convenience of reference only and shall not affect the construction of this Amendment.

5.4 ***Integration.*** This Amendment, the other agreements and documents executed and delivered pursuant to this Amendment and the Credit Agreement constitute the entire agreement among the parties hereto with respect to the subject matter hereof.

5.5 ***Binding Effect.*** This Amendment shall be binding upon and inure to the benefit of and be enforceable by the Borrower, the Administrative Agent and the Lenders and their respective successors and assigns. Except as expressly set forth to the contrary herein, this Agreement shall not be construed so as to confer any right or benefit upon any Person other than the Borrower, the Administrative Agent and the Lenders and their respective successors and permitted assigns.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

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Exhibit 10.1

SIXTH AMENDMENT

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Exhibit 10.2

[Certain portions of this exhibit have been omitted pursuant to Rule 24b-2 and are subject to a confidential treatment request. Copies of this exhibit containing the omitted information have been filed separately with the Securities and Exchange Commission. The omitted portions of this document occur on pages 2 and 3 and are marked with a **.]

SLAG SALES AGREEMENT—AMENDMENT

THIS AMENDMENT AGREEMENT dated the 21st day of February, 2003 between QIT-FER ET TITANE INC., a Quebec corporation with offices at 1625, Marie-Victorin, Tracy, Quebec, Canada, J3R 1M6 (hereinafter "QIT"), and TIOXIDE EUROPE LIMITED, An English company with its Registered Office at Haverton Hill Road, Billingham, TS23 1PS, England (hereafter, the "Buyer");

WHEREAS QIT is a significant producer of titanium bearing slag and Buyer, a member of the Huntsman Tioxide Group of affiliated companies ("Buyer's Group"), is a consumer of titanium bearing slag of the types produced by QIT;

WHEREAS Buyer's Group operates seven pigment plants worldwide plus a production joint venture;

WHEREAS Buyer's Group has six pigment plants using the sulphate process, three of which typically use ilmenite as feedstock and three of which typically use slag as feedstock;

WHEREAS Buyer's Group has four sulphate pigment plants in Europe, two using ilmenite as feedstock and two using slag as feedstock;

WHEREAS Buyer's Group has a sulphate pigment plant in Asia using ilmenite as feedstock and a sulphate pigment plant in Africa using slag as feedstock;

WHEREAS QIT produces and sells slag and has substantial investments in such process;

WHEREAS Buyer's Group's sulphate pigment plants using slag are in general not as cost competitive as those of its plants using ilmenite, and QIT recognizes that Buyer has considered converting these plants to use ilmenite;

WHEREAS QIT and Buyer's Group wish to see the slag remain a competitive alternative to ilmenite as a sulphate feedstock;

WHEREAS Buyer's Group is desirous of establishing standardized product quality across all its sulphate pigment plants that use slag, which is facilitated by the usage of a single source of common feedstock;

WHEREAS Buyer is desirous that QIT share some of the business risk related to the future pricing of pigment produced by Buyer's Group;

WHEREAS QIT is willing to link the price of slag to the sale price for pigment produced worldwide by Buyer's Group under conditions described herein;

WHEREAS pigment prices can vary considerably from year to year and the term of any agreement needs to be of reasonable duration to induce QIT to accept the risk associated with linking its slag price to variations in the sale price of pigment;

WHEREAS the parties recognize the volatility of market demand for TiO_2 pigment has a direct effect on the volume requirements of Buyer's Group;

WHEREAS QIT has agreed to share the business risk associated with pigment demand volatility and to supply all of Buyer's sulphate slag requirements in Europe in an arrangement that links slag price with pigment price whereby the manufacture, purchase and consumption of titanium bearing slag is established for the mutual benefit of the parties;

WHEREAS Buyer and QIT entered into an agreement for the purchase of titanium bearing slag (hereinafter "Product") dated April 19, 2000, as amended to date (the "Agreement"); and

WHEREAS, in view of the above, the parties wish to amend the Agreement as provided herein;

NOW THEREFORE, for and in consideration of the covenants and conditions herein contained, the parties hereto confirm their amendment of the Agreement as follows, effective January 1, 2003:

1. Article II of the Agreement shall be replaced by the following:

   "Unless otherwise indicated, a "ton" is a metric ton of one thousand kilograms dry weight, a "month" and a "year" are a calendar month and a calendar year, respectively, "dollars", "cents", and the dollar and cent signs ("$" and "¢") refer to lawful money of the

United States of America, "Official Samples" has the meaning given to it in Article XI and all percentages are based on dry weights. "Party" means QIT as one party and Buyer as one party. "STEM" shall mean that Product will be available and ready for loading at the point of shipment on the stated date and in the quantity specified. "Weighted Average Pigment Price" means, for any year, the weighted average per ton dollar-based Net Sales Price for TiO_2 pigment invoiced by Buyer's group in such year, pursuant to commercially negotiated arm's length transactions with third parties entered into on the same basic conditions of sale from year to year. "Net Sales Price" means the invoiced delivered price less volume rebate; for the avoidance of doubt, "delivered" in this definition shall be read in the context of delivery terms to such transactions being consistently applied year on year in all material respects."

2. Paragraph A of Article III of the Agreement shall be replaced by the following:

"Unless terminated earlier pursuant to the provisions contained herein, this Agreement shall be for a term of four (4) years commencing on January 1, 2001 and ending on December 31, 2004."

3. Article IV of the Agreement shall be replaced by the following:

"The quantity of Product ("Quantity") to be produced, sold and delivered for each year of this Agreement shall be as follows:

Year	Quantity
2003	** tons.
2004	** tons.

Buyer shall provide QIT no later than September 30, 2003 with its estimated Quantity requirements for 2004.

QIT shall have the right that an independent auditor acceptable to both parties be given access to Buyer's relevant books and records to verify what proportion of its requirements Buyer has taken for its Calais Plant, subject to the minimum inventory requirement set out above."

4. Article V.A. of the Agreement shall be replaced by the following:

"A. *Basic Price*

1. The Basic Price of Product shall be that amount per ton, FOB Buyer's Vessel, QIT's dock, Sorel-Tracy, Quebec, as follows:

Year	Price
2003 and 2004 (**% TiO_2 basis)	The annual price will be determined by reference to the Weighted Average Pigment Price for the relevant year as follows:

Weighted Average Pigment Price (US$ per ton for the year)	Basic Price (and % variation from 2002 price)
**	$ ** (**%)
**	$ ** (**%)
**	$ ** (**%)
**	$ ** (**%)
**	$ ** (**%)

2. QIT shall invoice Buyer for all shipments made during a year at the previous year's Basic Price. Buyer shall provide QIT with an estimate of the Weighted Average Pigment Price for the year in question by March 31 of the year in question. QIT shall issue a debit or credit note, as applicable, within fifteen (15) days of the end of each quarter in respect of all shipments for the previous quarter. Such debit/credit note shall reflect the difference between Product price based on the estimated Weighted Average Pigment Price and the Product price as originally invoiced (based upon previous year's Basic Price). Buyer shall advise QIT of the actual Weighted Average Pigment Price for the year in question by February 28 of the following year.

QIT shall then determine the Basic Price and issue a final credit/debit note in respect of the aggregate of all annual shipments for the year in question reconciling the effect of the differences between invoiced amounts, the quarterly

adjustment payments and the actual Basic Price, by March 15 of the following year.

3. QIT shall have the right that an independent auditor acceptable to both parties be given access to relevant books and records so as to audit Buyer's actual Weighted Average Pigment Price for any year of this Agreement. The independent auditor shall be instructed that his audit report shall be limited to confirming the accuracy of Buyer's calculated Weighted Average Pigment Price or, if there is disagreement, the Weighted Average Pigment Price that the Auditor determines to be the correct figure. In no circumstances will the auditor reveal a particular price or prices charged to an individual customer or customers."

5. The parties hereby ratify and confirm the terms and conditions of the Agreement not specifically amended pursuant to this Amendment Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized respective representatives, as of the day and year first above written.

QIT-FER ET TITANE INC.		TIOXIDE EUROPE LIMITED	
By:	/s/ JAMES D. NAMENY	By:	/s/ R.A. LOUW
Name:	James D. Nameny	Name:	R.A. Louw
Title:	Director	Title:	Senior VP Commercial

QuickLinks

SLAG SALES AGREEMENT—AMENDMENT

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Exhibit 10.3

[Certain portions of this exhibit have been omitted pursuant to Rule 24b-2 and are subject to a confidential treatment request. Copies of this exhibit containing the omitted information have been filed separately with the Securities and Exchange Commission. The omitted portions of this document occur on pages 1, 2 and 3 and are marked with a **.]

UGS SALES AGREEMENT

THIS AGREEMENT is made as of this 21st day of February 2003 by and between **QIT-FER ET TITANE INC.**, a Quebec corporation with offices at 1625 Marie-Victorin Boulevard, Sorel-Tracy, Quebec, Canada, J3R 1M6 (hereinafter "**QIT**"), and **TIOXIDE EUROPE LIMITED**, and English company with registered offices at Haverton Hill Road, Billingham TS23 1PS, England (hereinafter, the "Buyer");

WHEREAS QIT is a significant producer of upgraded titanium bearing slag ("UGS)" and Buyer, a member of the Huntsman Tioxide Group of affiliated companies ("Buyer's Group"), is a significant consumer of upgraded titanium feedstocks;

WHEREAS the parties are desirous of entering into an agreement whereby the manufacture and purchase of a predetermined amount of UGS is established for the mutual benefit of enhancing predictability of the operations of each of the parties;

NOW THEREFORE, for and in consideration of the covenants and conditions herein contained, the parties hereto agree as follows:

ARTICLE I. SCOPE

QIT agrees to sell and deliver, and Buyer agrees to buy, take delivery of and consume, upgraded titanium bearing slag (hereinafter called "UGS"), produced at QIT's plant at Sorel-Tracy, Quebec, Canada, in the quantities and at the times specified herein and in accordance with the terms of this Agreement.

ARTICLE II. DEFINITIONS

Unless otherwise indicated, a "ton" is a metric ton of one thousand kilograms dry weight, a "month" and a "year" are a calendar month and a calendar year, respectively, "dollars", "cents", and the dollar and cent signs ("$" and "¢") refer to lawful money of the United States of America. "Official Samples" has the meaning given to it in Article XI and all percentages are based on dry weights. "Party" means QIT as one party and Buyer as one party. "STEM" shall mean that UGS will be available and ready for loading at the point of shipment on the stated date and in the quantity specified.

ARTICLE III. TERM

A. Unless terminated earlier pursuant to the provisions contained herein, this Agreement shall commence on January 1, 2003 and end on December 31, 2003.

B. In the event either Buyer or QIT shall become bankrupt, insolvent, commit any act of bankruptcy or insolvency, or compromise with its creditors, then the other party shall have the option, without notice or demand, to cancel this Agreement. The preceding rights are without prejudice to any other rights and remedies as are available to the parties hereunder or otherwise under the law.

ARTICLE IV. QUANTITY

A. Buyer shall purchase and take delivery of and QIT shall sell and deliver ** tons of UGS in 2003 (the "Contracted Quantity").

B. If, by December 31, 2003, Buyer has not taken delivery at Sorel-Tracy of the entire annual Contracted Quantity set forth in Article IV.A above for such year, then Buyer shall pay QIT for that tonnage of UGS being the difference between the Contracted Quantity and the quantities actually delivered less any quantities excused due to Force Majeure, at the Price (as defined in Article V) established for UGS in that year. QIT shall prepare a final invoice (the "Final Annual Quantity Invoice") for such amounts of UGS, which shall reflect price adjustments in accordance with Articles V and VIII, on or before January 31 of the following year. The Final Annual Quantity Invoice shall be rendered and paid in accordance with Article VIII.

ARTICLE V. PRICE

A. *Price*

The Basic Price of UGS for the year 2003 shall be US$**, FOB Sorel-Tracy.

B. *Price Adjustment for TiO_2 Content*

The Price established under this Article V is the UGS containing 95.0% titanium dioxide (TiO_2) content. The Price of a shipment of UGS shall be adjusted on a pro rata basis for each 0.1% of TiO_2 in excess of or below the 95.0% TiO_2 level.

C. *Price Adjustment for Sizing*

In the event the sizing of UGS shipments in a year exceeds the limits set forth below, the applicable Price shall be adjusted downwards by a percentage (or fractions thereof) equal to the percentage of UGS of plus 850 microns in excess of seven percent (7%), of minus 75 microns in excess of two percent (2%) and of minus 53 microns in excess of one half percent (0.5%). Price adjustments pursuant to this paragraph shall be made annually in arrears as provided in Article VIII.

ARTICLE VI. SHIPMENTS

A. QIT shall deliver UGS into Buyer's Vessel at QIT's dock, Sorel-Tracy, Quebec. QIT and Buyer shall agree on a shipping schedule whereby deliveries are spread more or less evenly throughout the year. The parties acknowledge that the shipping schedule may vary during that period of time in which the St. Lawrence River is so blocked with ice as to prevent the passage of cargo vessels. Buyer shall obtain any import licenses or other documents that may be required to import UGS into the country of destination.

B. Buyer shall arrange for and furnish a cargo vessel (herein called "Buyer's Vessel"). Notwithstanding the agreed shipping schedule, Buyer shall request and receive STEM from QIT with respect to each shipment, one (1) month prior to the arrival of Buyer's Vessel at Sorel-Tracy. So far as possible, Buyer shall give QIT not less than ten (10) days' notice of the expected date of arrival of each Buyer's Vessel at Sorel-Tracy. QIT will load cargo in lower holds only and will spout-trim cargo. Any levelling required by other means than spout-trimming and any other abnormal loading costs, including time required therefor, shall be for Buyer's account. Cleanliness and/or protection of the holds of Buyer's Vessel shall be solely Buyer's responsibility. As a convenience to Buyer however, QIT shall, prior to loading, undertake on Buyer's behalf the inspection of the holds of Buyer's Vessel and, if deemed necessary by QIT, QIT shall on Buyer's behalf require any such necessary cleaning and/or protection to be performed, but in no event shall QIT be liable for contamination or any other damages in connection with cleanliness and/or protection of Buyer's Vessel, whether caused by QIT's own negligence or otherwise. Buyer's Vessel shall shift to anchor during such cleaning and/or protection. The costs of such cleaning and/or protection shall be for Buyer's account including the costs of delays caused to Buyer's Vessel and time used therefor shall not count as laytime.

C. QIT agrees to load at a minimum rate of ** tons per weather working day of 24 consecutive hours. Notice of readiness shall be presented to QIT during office hours, which at present are 9:00 a.m. to 5:00 p.m., Monday through Friday, and 9:00 a.m. to 12:00 noon on Saturdays. Laytime shall start at 8:00 a.m. on the working day next following the delivery and acceptance of such notice of readiness, whether Buyer's Vessel is in berth or not. Any time from noon Saturday to 8:00 a.m. Monday and any time on holidays and before laytime starts shall not count as laytime unless used, and, if used, only half such time to count as laytime. It is contemplated that vessels will normally be loaded and discharged in turn. However, QIT may at its option delay docking and loading Buyer's Vessel or request Buyer's Vessel to shift to anchor or other berth to give preference to QIT's ore or coal vessels even though Buyer's Vessel shall have been presented for loading prior to QIT's ore or coal vessels. If QIT exercises its option in the preceding sentence and Buyer's Vessel is not loaded in turn, QIT shall be liable for any demurrage due to delay incurred by such loading out of turn and the costs of Buyer's Vessel shifting to anchor and reberthing.

D. Buyer shall furnish demurrage rates to QIT at least one day in advance of arrival of a Buyer's Vessel. QIT agrees to pay Buyer demurrage if loading is not completed in the allowed time at the rate specified in the Charter Party, but only up to a maximum of Ten Thousand Dollars ($10,000.00) per day, fractions of a day to be adjusted pro rata. Buyer agrees to pay QIT despatch for laytime saved at half the demurrage rate specified in the Charter Party, but only up to a maximum of Five Thousand Dollars ($5,000.00) per day, fractions of a day to be adjusted pro rata.

E. QIT makes no representations, and none are implied, as regards its loading dock or the water depth threat except that so long as the St. Lawrence River level is not less than 13.1 feet above mean sea-level at Sorel-Tracy, Quebec, as recorded by the Canadian Hydrographic Survey, the minimum water depth at QIT's dock will be thirty (30) feet.

ARTICLE VII. TITLE AND RISK OF LOSS

Title to and risk of loss in UGS shall pass to Buyer when the UGS has effectively passed the ship's rail of Buyer's Vessel at QIT's dock at Sorel-Tracy, Quebec, Canada. Once the title to and risk of loss in UGS has passed to Buyer, QIT shall not be responsible for any losses or damages of any kind and howsoever arising to UGS, except as expressly provided in this Agreement.

ARTICLE VIII. INVOICING AND PAYMENT

A. *Regular Payments*

Unless otherwise agreed, payment for UGS shall be made by Buyer in U.S. dollars by telegraphic transfer to QIT, to such account at QIT shall notify to Buyer, within thirty (30) days of the date of the Bill of Lading for such shipment. QIT shall provide Buyer with the following documents:

1. QIT's commercial invoice covering the shipment, based on the assumption that the TiO_2 content of UGS is 95.0%;

2. QIT's weight certificate;

3. A full set of clean on-board ocean bills of lading covering the shipments in question, designating "QIT-Fer er Titane Inc." as shipper and "Tioxide Europe Limited" or any affiliated company designated by Buyer, as consignee; and

4. Such other documents and papers as may be required to clear UGS for shipment from Canada to the port of destination.

The above-mentioned documents shall be airmailed to Buyer or such affiliated company as Buyer shall have designated in accordance with Article XVIII. QIT shall accept payment from any of

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Buyer's affiliated companies, but Buyer shall be primarily and separately liable for all sums properly due and unpaid under this Agreement that are not paid by such affiliates.

B. *Final Invoice and Payment*

Any adjustment which may be necessary as a result of the outcome of the analysis of the Official Samples shall be embodied in a final invoice. Payment by Buyer of the total amount due, if any, on the final invoice shall be effected by telegraphic transfer, within thirty (30) days of the date of the final invoice. In the event the final invoice reflects an amount due from QIT to Buyer, QIT shall remit the appropriate amount to Buyer by telegraphic transfer within thirty (30) days of the date of the final notice.

C. *Final Annual Quantity Invoice*

By January 31 of each year, QIT shall prepare and present a Final Annual Quantity Invoice relating to the previous year, which Final Annual Quantity Invoice shall reflect amounts due, if any, calculated as provided for in Article IV.B for Contracted Quantities Buyer has not ordered and taken delivery of during the preceding year.

Payment by Buyer of the total amount due, if any, on the Final Annual Quantity Invoice shall be effected by telegraphic transfer to QIT within seven (7) days of Buyer's receipt of such Final Annual Quantity Invoice.

D. *Other Invoices and Payments*

Payment of other amounts due hereunder, such as the fees referred to in Articles XI.B2 and XI.C.5 shall be made by Buyer to QIT as soon as reasonably practicable after receipt of the invoice for such amounts.

ARTICLE IX. SPECIFICATIONS

A. The UGS shall contain at least 94.0%, but typically 95.0% or greater, equivalent TiO_2 by weight determined as set for in Article XI of this Agreement.

B. The UGS shall meet the following specifications:

1. Maximum chromium oxide (Cr_20_3) content of 0.08% by weight;
2. Maximum vanadium pentoxide (V_20_5) content of 0.60% by weight;
3. Maximum ferric oxide (Fe_2O_3) content of 2.40% by weight;
4. Maximum manganese oxide (Mn0) content of 0.10% by weight;
5. Maximum calcium oxide (Ca0) content of 0.20% by weight;
6. Maximum magnesium oxide (Mg0) content of 1.30% by weight;
7. Maximum silica (SiO_2) content of 2.40% by weight; and
8. Maximum moisture (H_2O) content of 0.20% by weight.

C. The specifications set out in Articles IX.A and B shall be referred to in this Agreement as the "Specifications".

ARTICLE X. WARRANTY

A. QIT warrants that the UGS sold and delivered hereunder shall conform to the Specifications set forth in Article IX hereof.

B. In the event that any UGS sold and delivered hereunder does not conform to said Specifications and in the event the parties are unable to agree on an equitable adjustment, QIT shall, at its costs and expense, remove or otherwise dispose of such non-conforming product and replace it with an equivalent quantity of UGS which meets the Specifications. The obligation to remove or

dispose of and replace non-conforming UGS shall not be applicable in the event Buyer fails to give notice of such non-conforming UGS as provided for in Article XI.C.

The warranty and remedy expressed in this Article X is the sole and exclusive warranty made by QIT with respect to the UGS to be delivered under this Agreement. QIT makes no other warranty, expressed, implied (including any warranty of merchantability or fitness for a particular purpose), statutory or otherwise.

D. QIT shall not be responsible for any damages whatsoever, whether direct, indirect, consequential or incidental, relating directly or indirectly to the sale or use of any UGS. QIT's sole obligation in the event of delivery of non-conforming product shall be that set forth in this Article X. Buyer agrees to indemnify and hold QIT harmless from and against any claims, losses, damages, costs, expenses or liability of whatsoever nature from third parties arising out of or in connection with such use of UGS from and after the passage of title and risk to UGS.

ARTICLE XI. INSPECTION, WEIGHING, SAMPLING AND ANALYSIS

A. *Inspection and Weighing*

1. Weight of UGS loaded aboard Buyer's Vessel will be determined by the use of a weightometer which QIT will make all reasonable effort to inspect, maintain and keep properly adjusted for accuracy. Weight, recorded by weightometer, shall be corrected for average weightometer variation. This corrected weight, which includes moisture, shall then be adjusted for the moisture content. The resulting dry weight shall be the basis on which UGS is invoiced for payment.

2. Copies of the inspection certificates of the weightometer shall be provided to Buyer by QIT upon request.

B. *Sampling*

1. Each shipment of UGS loaded aboard Buyer's Vessel shall be sampled at QIT's Plant by ITS Caleb Brett, 2561 Georges V, Montreal-East, Quebec, Canada, H1L 6S4, an independent testing laboratory, or such other independent testing laboratory as shall be agreed upon by Buyer and QIT. Such independent laboratory shall take and distribute representative samples (herein called "Official Sample(s)") from each shipment in accordance with the Sampling and Sample Preparation Procedure, set forth in Exhibit "A"—Procedure "SAP S-101", attached hereto and made a part hereof.

2. *Lab Fees*—The fees for service of such independent testing laboratory shall be paid equally by QIT and Buyer.

C. *Analysis*

1. *Methods of Analysis*—All analyses shall be made by the methods outlined in Exhibit "B"—Procedure "SAP S-009", Exhibit "C"—Procedure "SAP S-010", Exhibit "D"—Procedures "SAP S-003", Exhibit "E"—Procedure "SAP S-102", which are attached hereto and made a part hereof or by such other methods as QIT shall consider appropriate provided that the results obtained from such other methods are consistent with the results which would be obtained by using the methods outlined in the above-mentioned exhibits.

2. *Analysis by QIT*—QIT shall analyze the Official Samples and the results of such analysis for each shipment shall be provided to Buyer not later than thirty (30) days following the date of such shipment.

3. *Analysis by Buyer*—Buyer may, but shall not be obligated to, analyze the official Samples. Unless Buyer notified QIT, within sixty (60) days of receipt of an Official Sample that Buyer's analysis indicates that product fails to meet the Specifications or that the TiO_2 content is more than one-half of one percent (0.5%) different from QIT's analysis, the results of QIT's analysis shall be final and conclusive save and except for manifest errors in sampling.

4. *Umpire Procedure*—Should Buyer's analysis of the Official Samples indicate that product does not meet the Specifications or that the TiO_2 content of product is more than one-half of one per cent (0.5%) different from QIT's analysis, Buyer may so advise QIT, who will then request the independent testing laboratory referred to above to forward for analysis its retained Official Sample to such umpire analyst (being an independent testing laboratory) as shall be agreed to from time to time by the parties. The parties hereby agree that Inspectorate Griffith Ltd., 2 Perry Road, Witham, Essex, CM8 3TU, England, shall be the initial umpire analyst. The umpire shall analyze the Official Sample in accordance with the methods outlined in the exhibits referred to in Article XI.C.1.

5. *Settlement*—The umpire's analysis as to TiO_2 content and that of Buyer or QIT, whichever is in closer agreement to the umpire's analysis, shall be averaged to establish the revised analysis for the shipment. If the umpire's analysis is exactly halfway between Buyer's and QIT's analyses, such umpire's analysis shall then be used to establish the revised analysis for the shipment.

If such revised analysis results in a price adjustment in accordance with the procedure described in this Agreement, QIT shall issue a credit or debit invoice as the case may be. If an umpire's analysis is required on any Specification other than TiO_2, the umpire's analysis and that of Buyer or QIT, whichever is in closer agreement to the umpire's analysis, shall be averaged as the basis for final settlement; provided that if the umpire's analysis lies exactly halfway between Buyer's and QIT's analysis, the umpire's analysis shall be the basis for final settlement. If such analysis determines that UGS does not meet each of such Specifications, the parties shall proceed as described in Article X of this Agreement. The Cost of an umpire's analysis shall be paid by the party whose analysis varies most from the umpire's analysis unless such variations are equal, whereupon, the cost shall be borne equally by the parties.

D. *Revision of Sampling and Analytical Procedures*

The procedures set forth in the Exhibits referred to in this Article are believed to be the most satisfactory ones now available. In the event better procedures become available, each of said Exhibits may be revised with the written approval of Buyer and QIT.

ARTICLE XII. ARBITRATION

Any dispute between QIT and Buyer arising out of or in any way connected with this Agreement, its negotiation, performance, breach, existence or validity shall, unless settled by mutual agreement or conciliation and failing settlement thereunder, be referred for final and binding arbitration in London, England, under the Rules of Conciliation and Arbitration of the International Chamber of Commerce. The arbitration shall be presided over by three (3) arbitrators of which QIT shall appoint one and Buyer shall appoint another, and the two (2) appointed arbitrators shall appoint the Chairman of the arbitral tribunal within sixty (60) days following their appointment by the parties hereto, failing which the Chairman shall be appointed by the International Court of Arbitration of the International Chamber of Commerce. The language of the arbitration shall be English.

ARTICLE XIII. TAXES AND DUTIES

Canadian taxes or duties now or hereafter imposed on the export of the Product during the term of this Agreement shall be for the sole account of QIT. All other taxes or duties now or hereafter imposed on the import of Product in connection with this Agreement shall be for the sole account of Buyer.

ARTICLE XIV. PATENTS

A. QIT agrees to protect and hold Buyer harmless against any and all claims that UGS, in the state or form as sold under this Agreement, infringes or allegedly infringes any product claims of any Canadian or United States patent owned by third parties. QIT will, at its own cost and expense, defend any and all suits which may be brought against Buyer on account of said infringement of such Canadian or United States patent or patents, and QIT shall pay any and all fees, costs and damages awarded in said suits; provided, however, that the total liability for damages under this Article XIV shall in no event exceed the aggregate sales price of Product sold to Buyer during the year in which such infringement commenced.

B. QIT's obligations pursuant to this Article XIV shall be conditional upon Buyer giving prompt notice to QIT of any claims by third parties of any such alleged infringement and of all information available to Buyer in respect of such alleged infringement or claim.

ARTICLE XV. FORCE MAJEURE

In the event of any contingency which is beyond the reasonable control of QIT or Buyer including, but not limited to (i) any strike, lockout, industrial dispute, difference with workmen, accident, fire, explosion, earthquake, flood, mobilization, war (whether declared or undeclared), act of any belligerent in any such war, riot, rebellion, revolution or blockade, (ii) any requirement, regulation, restriction, or other act of any Government, whether legal or otherwise, (iii) any inability to secure or delay in securing export licenses or import licenses, cargo space or other transportation facilities necessary for the shipment or receipt of Product or fuel or other supplies or material including ilmenite ore or electric power necessary for the operation of the mines and plants where Product is produced or consumed, (iv) any delay in or interruption to transportation by rail, water or otherwise, (v) any damage to or destruction of such mines or plants of QIT or Buyer, or (vi) any other contingency, excluding market conditions of any sort, which is beyond the reasonable control of QIT or Buyer, whether or not of the nature or character hereinbefore specifically enumerated, which event delays or interferes with the performance of this Agreement or the consumption of Product, (an event of "Force Majeure") then such event shall be considered sufficient justification for delay in making shipment or delivery or taking delivery or performance hereunder (other than the payment of money), in whole or in part, until such event ceases to exist, and this Agreement shall be deemed suspended for so long as such event delays or interferes with the performance hereof, provided that prompt notice of any such event be given by the party affected to the other party. Any delay or interference which affects QIT's supply of Product to customers shall entitle QIT to allocate equitably any available Product among customers in its discretion.

Anything to the contrary herein notwithstanding, if such event of Force Majeure occurs, the obligation of QIT to sell and deliver and of Buyer to buy and to take delivery of UGS with respect to any year shall terminate (unless otherwise agreed between the parties) at the end of the year as to quantities of UGS which have not been loaded aboard Buyer's Vessel at Sorel-Tracy, by the end of the year due to such event of Force Majeure. Nothing contained in this Article shall require Buyer to pay for, or QIT to make up or compensate for, any UGS not delivered due to the application of this Article XV.

ARTICLE XVI. DEFAULT & LIMITS OF LIABILITY

For purposes of this Article XVI, a "default" shall mean any failure by either party to make any payment (except for a bona fide dispute as to the accuracy of the amount due) or to perform any obligation under or pursuant to this Agreement for any reason other than an event of Force Majeure as defined in Article XV.

No default shall be deemed to have occurred unless the party in default shall have first been given written notice of such default and shall have failed to cure such default within thirty (30) days in the event of a failure to pay and in all other events, within sixty (60) days after receipt of such written notice.

In the event of a default arising from a breach of Buyer's duty to pay for UGS delivered or for the total amount of the Contracted Quantity in any particular year, QIT shall have the right to seek damages for all loss or damage actually sustained as a direct result of the default. In addition, (except for a bona fide dispute as to the accuracy of the amount due), QIT shall have the right (subject to Buyer's right to cure its default pursuant to this Article) to terminate this Agreement forthwith by providing notice to such effect to Buyer. Notwithstanding anything contained herein to the contrary, in no event shall Buyer be liable for consequential, indirect, incidental, punitive or contingent damages as a result of a default under this Agreement.

In the event of any default by QIT arising from a failure to deliver UGS pursuant to this Agreement, QIT (subject to QIT's rights to cure its default pursuant to this Article) shall compensate Buyer for all loss or damage actually sustained as a direct result of the failure to deliver but excluding indirect, consequential, punitive or contingent damages of the default Buyer may suffer therewith including, but not limited to, loss of revenue or profits as a result of Buyer's inability to operate, or shut down of its operations, loss of use of equipment, or cost of substitute equipment, claims of third parties, and the like.

ARTICLE XVII. WAIVER OF DEFAULT

Any failure by either party to give notice in writing to the other party of any breach or default in any of the terms or conditions of this Agreement shall not constitute a waiver thereof, nor shall any delay by either party in enforcing any of its rights hereunder be deemed a waiver of such rights nor shall a waiver by either party of any defaults of the other party be deemed a waiver of any other or subsequent defaults.

ARTICLE XVIII. NOTICE

Any notice to be given to any party under the terms of this Agreement shall be deemed to have been given if delivered by courier service or transmitted by telecopier to the respective addresses or telecopier numbers given below:

TO QIT: *Attention:* Director, Sales & Marketing, Titania Slag and Rutile

QIT-Fer et Titane Inc. ("QIT")
c/o Rio Tinto Iron & Titanium Inc.
770 Sherbrooke Street West
Suite 1800
Montreal, Quebec
Canada, H3A 1G1
Telecopier: 1 (514) 286-9336

TO Buyer: *Attention:* Mr. D.I. Rochester, Director of Purchasing

Tioxide Europe Limited
Haverton Hill Road
Billingham
TS23 1PS
England
Telecopier: 44.1642.376918

With a copy to the Company Secretary

or to such other address or telecopier number as either party shall so designate by providing notice of such other address or telecopier number in accordance with the provisions of this Article. All notices shall be deemed to have been received on the day of delivery, if delivered by courier service or on the day of transmission, if sent by telecopier, during normal business hours (9:00 a.m. to 5:00 p.m.) of the recipient, failing which, such notice shall be deemed to have been received on the next business day.

ARTICLE XIX. ASSIGNMENT

No party may assign its rights or obligations under this Agreement without the prior written consent of the other party. The preceding sentence shall not apply to assignments made to parents, subsidiaries, or related corporations, partnerships or other entities of the parties

hereto, providing that the party executing this Agreement shall remain primarily responsible for performance of its obligations hereunder unless such responsibility is waived in writing by the other party.

ARTICLE XX. ENTIRE AGREEMENT: AMENDMENT, MODIFICATION

This Agreement states the entire understanding between the parties hereto with respect to the subject matter hereof, and there are no agreements or understandings, oral or written expressed or implied with reference to the subject matter hereof that are not merged herein or superseded hereby. This Agreement may not be changed, modified or supplemented in any manner orally or otherwise except by an instrument in writing signed by a duly authorized representative of each of the parties hereto. The parties recognize that, for administrative purposes, documents such as purchase orders, acknowledgments, invoices and similar documents may be used during the Term of this Agreement. In no event shall any term or condition contained in any such administrative documents be interpreted as amending or modifying the terms of this Agreement whether such administrative documents are signed or not.

ARTICLE XXI. GOVERNING LAW

This Agreement shall, in all respects, be governed by and construed in accordance with the laws of England, to the exclusion of the United Nations Convention on the International Sale of Goods.

ARTICLE XXII. CONFIDENTIALITY

This Agreement and information obtained by one party from the other by virtue of this Agreement, shall remain confidential and shall not be disclosed to any third party without the prior written consent of the other party, unless such information is publicly available, or previously known to the recipient or is required to be disclosed by law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized respective representatives, as of the day and year first above written.

QIT-FER ET TITANE INC.		**TIOXIDE EUROPE LIMITED**	
By:	/s/ JAMES D. NAMENY	By:	/s/ R.A. LOUW
Name:	James D. Nameny	Name:	R.A. Louw
Title:	Director	Title:	Senior VP Commercial

QuickLinks

UGS SALES AGREEMENT

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 99.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Huntsman International LLC (the "Company") for the period ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter R. Huntsman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ PETER R. HUNTSMAN

Peter R. Huntsman
Chief Executive Officer
May 14, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

QuickLinks

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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Exhibit 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Huntsman International LLC (the "Company") for the period ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Kimo Esplin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. KIMO ESPLIN

J. Kimo Esplin
Chief Financial Officer
May 14, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

QuickLinks

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002