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As filed with the Securities and Exchange Commission on June 26, 2007

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

HUNTSMAN CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**42-1648585**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

500 Huntsman Way
Salt Lake City, Utah 84108
(801) 584-5700
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Samuel D. Scruggs
Executive Vice President, General Counsel and Secretary
Huntsman Corporation
500 Huntsman Way
Salt Lake City, Utah 84108
(801) 584-5700
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:
Nathan W. Jones
Stoel Rives LLP
201 South Main Street, Suite 1100
Salt Lake City, Utah 84111
(801) 328-3131

Approximate Date of Commencement of Proposed Sale to the Public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: ☐

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: ☒

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

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

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box: ☒

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box: ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to Be Registered	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, $0.01 par value	23,762,000	$19.24	$457,180,880	$14,035.45

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rules 457(r) and 457(c) under the Securities Act of 1933, as amended, based upon the average of the high and low prices for the common stock of the registrant, on June 22, 2007, as reported on the New York Stock Exchange.

PROSPECTUS

HUNTSMAN CORPORATION

23,762,000 Shares of Common Stock

This prospectus relates to the resale from time to time of a total of up to 23,762,000 shares of our common stock by the selling stockholders described in the section entitled "Selling Stockholders" beginning on page 19 of this prospectus. The selling stockholders are charitable organizations that received the shares by contribution from Jon M. Huntsman on June 25, 2007. We will not receive any proceeds from any such sale by any selling stockholder.

The selling stockholders may offer and sell any of the shares of common stock from time to time at fixed prices, at market prices or at negotiated prices, and may engage a broker, dealer or underwriter to sell the shares. For additional information on the possible methods of sale that may be used by the selling stockholders, you should refer to the section entitled "Plan of Distribution" on page 20 of this prospectus.

We will not receive any proceeds from the sale of the shares of common stock by the selling stockholders. All costs, expenses and fees in connection with the registration of our common stock will be paid by us, except that the selling stockholders will pay their own underwriting discounts and selling commissions and other minor expenses. See "Plan of Distribution" on page 20.

Our common stock is quoted on the New York Stock Exchange under the symbol "HUN." On June 22, 2007, the closing price of our common stock on the New York Stock Exchange was $19.16 per share. The selling stockholders may offer and sell their shares of our common stock through public or private transactions, at fixed prices, at prevailing market prices, or at privately negotiated prices.

Investing in our common stock involves a high degree of risk. See "Risk Factors" on page 6 for a discussion of certain matters that you should consider before buying shares of our common stock.

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

The date of this prospectus is June 26, 2007

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or the SEC or the Commission. Pursuant to this prospectus, the selling stockholders named on page 19 may sell up to a total of 23,762,000 shares of our common stock. This prospectus and the documents incorporated by reference herein include important information about us, the common stock being offered and other information you should know before investing. You should read this prospectus together with the additional information about us described in the sections below entitled "Available Information" and "Incorporation of Certain Information by Reference." You should rely only on information contained in, or incorporated by reference into, this prospectus. We have not authorized anyone to provide you with information different from that contained in, or incorporated by reference into, this prospectus. The information contained in this prospectus is accurate only as of the date on the front cover of the prospectus and information we have incorporated by reference in this prospectus is accurate only as of the date of the document incorporated by reference. You should not assume that the information contained in, or incorporated by reference into, this prospectus is accurate as of any other date.

AVAILABLE INFORMATION

We are a public company and are required to file annual, quarterly and current reports, proxy statements and other information with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You may read and copy any document we file at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents by writing to the SEC and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference room. Our SEC filings are also available to the public on the SEC's web site at "http:/ /www.sec.gov." In addition, our stock is listed for trading on the New York Stock Exchange. You can read and copy reports and other information concerning us at the offices of the New York Stock Exchange located at 20 Broad Street, New York, New York 10005.

We filed a registration statement on Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"), with the SEC with respect to the common stock being offered pursuant to this prospectus. This prospectus is only part of the registration statement and omits certain information contained in the registration statement, as permitted by the SEC. You should refer to the registration statement, including the exhibits, for further information about us and the common stock being offered pursuant to this prospectus. Statements in this prospectus regarding the provisions of certain documents filed with, or incorporated by reference in, the registration statement are not necessarily complete and each statement is qualified in all respects by that reference. You may:

- inspect a copy of the registration statement, including the exhibits and schedules, without charge at the public reference room;
- obtain a copy from the SEC upon payment of the fees prescribed by the SEC; or
- obtain a copy from the SEC web site.

The company's internet address is www.huntsman.com. The company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are also available to you free of charge through the "Investors" section of our website as soon as reasonably practicable after those materials have been electronically filed with, or furnished to, the SEC. Other than the documents filed with the SEC and incorporated by reference into this prospectus, the information contained on our website does not constitute a part of this prospectus.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to "incorporate by reference" information that we file with them. Incorporation by reference allows us to disclose important information to you by referring you to those other documents. The information incorporated by reference is an important part of this prospectus, and any information incorporated by reference is considered part of this prospectus. Any reports filed by us with the SEC after the date of this prospectus and before the date that the offering of common stock by means of this prospectus is terminated will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus. We incorporate by reference into this prospectus the following documents or information filed with the SEC (other than, in each case, documents or information therein deemed to have been furnished and not filed in accordance with SEC rules):

- Our Annual Report on Form 10-K for the year ended December 31, 2006 (filing date March 1, 2007: File No. 001-32427);
- Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (filing date May 7, 2007: File No. 001-32427);
- The portions of our definitive proxy statement on Schedule 14A that are deemed "filed" with the SEC under the Exchange Act (filing date March 30, 2007: File No. 001-32427);
- Our Current Reports on Form 8-K filed on July 7, 2006 (as amended on Form 8-K/A filed on September 15, 2006 and as updated by the combined financial statements of the Textile Effects Business of Ciba Specialty Chemicals Holding Inc. attached hereto as Exhibit 99.1), January 5, 2007, February 15, 2007, February 20, 2007, February 21, 2007, February 28, 2007, April 24, 2007, May 1, 2007, June 25, 2007 and June 26, 2007; and
- The description of our common stock and our mandatory convertible preferred stock contained in our registration statement on Form 8-A, including any amendment or report filed for the purpose of updating such description (filing date February 9, 2005: File No. 001-32427).

In addition, all documents filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date of this prospectus and before the termination of offerings under this prospectus are deemed to be incorporated by reference into, and to be a part of, this prospectus.

You may request, orally or in writing, a copy of these documents, which will be provided to you at no cost, by contacting us at:

Huntsman Corporation
500 Huntsman Way
Salt Lake City, Utah 84108
Attn: Investor Relations
(801) 584-5700

SUMMARY

This summary highlights only some of the information included or incorporated by reference in this prospectus. You should carefully read this prospectus together with the additional information about us described in the sections entitled "Available Information" and "Incorporation of Certain Information by Reference" before purchasing our common stock.

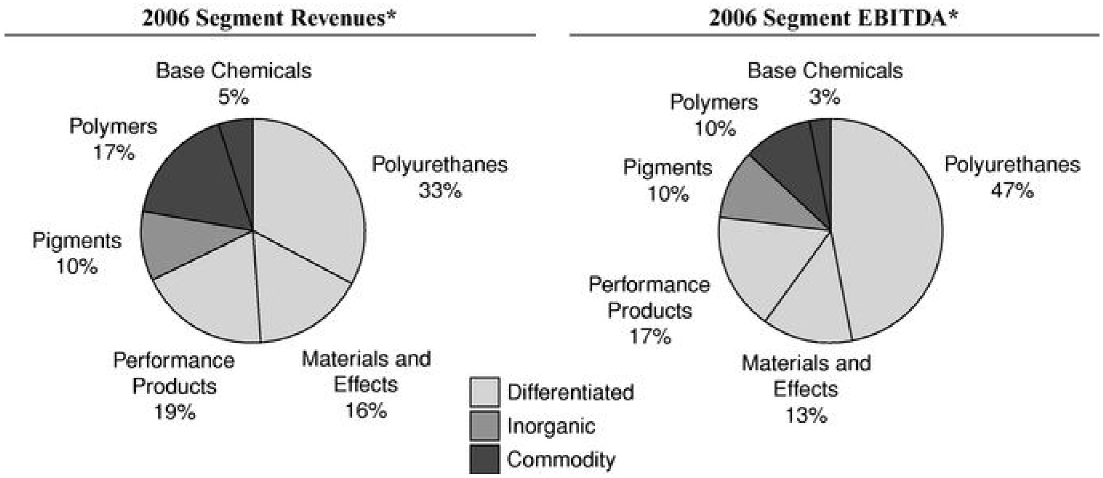
Unless the context otherwise requires, references in this prospectus to our "Company," "we," "us" or "our" refer to Huntsman Corporation, together with its subsidiaries. Any references to our "Company," "we," "us" or "our" as of a date prior to October 19, 2004 (the date of our formation) are to Huntsman Holdings, LLC and its subsidiaries (including their respective predecessors).

Huntsman Corporation

We are among the world's largest global manufacturers of differentiated chemical products; we also manufacture inorganic and commodity chemical products. Our products comprise a broad range of chemicals and formulations, which we market in more than 100 countries to a diversified group of consumer and industrial customers. Our products are used in a wide range of applications, including those in the adhesives, aerospace, automotive, construction products, durable and non-durable consumer products, electronics, medical, packaging, paints and coatings, power generation, refining, synthetic fiber, textile chemicals and dye industries. We are a leading global producer in many of our key product lines, including MDI, amines, surfactants, epoxy-based polymer formulations, textile chemicals, dyes, maleic anhydride and titanium dioxide. Our administrative, research and development and manufacturing operations are primarily conducted at the 75 facilities that we own or lease. Our facilities are located in 24 countries and we employ approximately 15,000 associates worldwide. Our businesses benefit from large production scale in certain products and proprietary manufacturing technologies, which allow us to maintain a low-cost position. We had revenues for the years ended December 31, 2006 and 2005 of $10,623.6 million and $10,676.9 million, respectively.

Our business is organized around our six segments: Polyurethanes, Materials and Effects, Performance Products, Pigments, Polymers and Base Chemicals. Upon the anticipated closing of the pending disposition of our U.S. base chemicals and polymers business, we expect to operate our business in four segments: Polyurethanes, Materials and Effects, Performance Products and Pigments.

Our current segments can be divided into three broad categories: differentiated, inorganic and commodity. Our Polyurethanes, Materials and Effects and Performance Products segments produce differentiated products, our Pigments segment produces inorganic products and our Polymers and Base Chemicals segments produce commodity chemicals. Growth in our differentiated products has been driven by the substitution of our products for other materials and by the level of global economic activity. Accordingly, the profitability of our differentiated products has been somewhat less influenced by the cyclicality that typically impacts the petrochemical industry. Our Pigments business, while cyclical, is influenced largely by seasonal demand patterns in the coatings industry. Certain products in our Polymers segment also follow different trends than petrochemical commodities as a result of our niche marketing strategy for such products that focuses on supplying customized formulations. The profitability of our commodity products has historically been cyclical in nature. Our six operating segments are all impacted, to a greater or lesser degree, by economic conditions, prices of raw materials and global supply and demand pressures.



* Percentage allocations in the segment revenues chart above reflect the allocation of all inter-segment revenue eliminations to our Base Chemicals segment. Percentage allocations in the segment EBITDA chart above do not give effect to $149.8 million of corporate and other unallocated items and exclude $19.8 million of restructuring, impairment and plant closing costs and $24.7 million of EBITDA from discontinued operations and gains/losses from disposition of assets. For a detailed discussion of our revenues, total assets and EBITDA by segment, see "Note 26. Operating Segment Information" to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference to this prospectus. For a discussion of EBITDA and a reconciliation of EBITDA to net income and cash provided by operating activities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference to this prospectus.

The Offering

Securities offered by the selling stockholders	Up to 23,762,000 shares of our common stock.
Use of proceeds	We will not receive any proceeds from the sale of the common stock offered by this prospectus.
New York Stock Exchange Symbol	HUN

RISK FACTORS

Investing in our common stock involves a high degree of risk. In addition to the risk factors set forth below, please carefully consider the risk factors described in our periodic reports filed with the SEC, including those set forth under the caption "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2006 (File No. 001-32427), and in our quarterly report on Form 10-Q for the quarter ended March 31, 2007, which are incorporated by reference in this prospectus. Before making an investment decision, you should carefully consider these risks as well as other information we include or incorporate by reference in this prospectus. You should be able to bear a complete loss of your investment.

Risks Related to the Offering

Our stock price has been and may continue to be subject to large fluctuations.

We have experienced significant fluctuations in our stock price and share trading volume in the past and may continue to do so. The trading price of our common stock has been and may continue to be subject to wide fluctuations in response to a variety of issues, including broad market factors that may have a material adverse impact on our stock price, regardless of actual performance. These factors include the following:

- periodic variations in the actual or anticipated financial results of our business or that of our competitors;
- downward revisions in securities analysts' estimates of our future operating results or of the future operating results of our competitors;
- material announcements by us or our competitors;
- public sales of a substantial number of shares of our common stock; and
- adverse changes in general market conditions or economic trends or in conditions or trends in the markets in which we operate.

Shares available for future sale may cause our common stock price to decline, which may negatively impact your investment.

Sales of substantial numbers of additional shares of our common stock, or the perception that such sales could occur, may cause prevailing market prices for shares of our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at a time and price favorable to us. The selling stockholders named under "Selling Stockholders" in this prospectus or other registration statements we have filed, who collectively own 10.7% of our shares as of the date of this Prospectus, may elect to sell their shares of our common stock.

We have the ability to issue additional equity securities, which would lead to further dilution of our issued and outstanding common stock.

The issuance of additional equity securities would result in dilution of then-existing stockholders' equity interests in us. Our certificate of incorporation authorizes our board of directors, without stockholder approval, to establish one or more series of preferred stock and to determine, with respect to any series of preferred stock, the number of shares in that series and the terms, rights and limitations of that series. If we issue convertible preferred stock, a subsequent conversion may dilute the current common stockholders' interest. Our board of directors has no present intention of issuing any such preferred stock, but reserves the right to do so in the future. In addition, we may issue additional shares of common stock, including shares that are authorized but not issued under our equity incentive plans.

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

Jon M. Huntsman and other members of the Huntsman family and MatlinPatterson indirectly control, in the aggregate, approximately 57% of our outstanding common stock and have the ability to:

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

The interests and objectives of our controlling stockholders may be different from those of our company or our other stockholders, and our controlling stockholders may vote their common stock in a manner that may adversely affect our other stockholders.

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information set forth or incorporated by reference in this prospectus 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 or dispositions 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," "anticipates" or "intends" 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 management's expectations when such statements are made. Management's 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.

UNAUDITED PRO FORMA FINANCIAL DATA

On February 15, 2007, we entered into an agreement with Flint Hills Resources, a wholly owned subsidiary of Koch, to sell our U.S. base chemicals and polymers business (the "Pending U.S. Petrochemical Disposition") for approximately $456 million in cash, plus the value of inventory on the date of closing (approximately $248 million at March 31, 2007). We will retain other elements of working capital, including accounts receivable, accounts payable and certain accrued liabilities, which will be liquidated for cash in the ordinary course of business following the closing. On June 22, 2007, we amended the asset purchase agreement with Flint Hills Resources to provide for, among other things, the close, subject to customary regulatory approvals and other closing conditions, on the sale of the U.S. polymers business on or about August 1, 2007, for $150 million, plus the value of associated inventory. The amended asset purchase agreement also provides for the separate closing of the U.S. base chemicals business for the remaining $306 million of sales price, plus the value of associated inventory, following the re-start of our Port Arthur, Texas olefins manufacturing facility. For more information, see "Note 22. Casualty Losses and Insurance Recoveries—Port Arthur, Texas Plant Fire" to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2006, which is incorporated herein by reference.

The Pending U.S. Petrochemicals Disposition includes our olefins and polymers manufacturing assets located at five U.S. sites: Port Arthur, Odessa and Longview, Texas; Peru, Illinois; and Marysville, Michigan. The business employs about 900 associates. The captive ethylene unit at our retained Port Neches, Texas, site of our Performance Products segment operations is not included in the sale. This asset, along with a long-term post-closing arrangement for the supply of ethylene and propylene from Flint Hills to us, will continue to provide feedstock for our downstream derivative units.

We expect to incur a pretax loss in connection with the Pending U.S. Petrochemicals Disposition of approximately $270 million, related primarily to the polymers assets. As of March 31, 2007, these assets were classified as held and used in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, because these assets were not immediately available for sale in their present condition due to the required repair and restart of the Port Arthur, Texas olefins manufacturing facility. We tested these assets for recoverability using expected future cash flows, including the expected proceeds from the Port Arthur fire insurance recovery, and concluded that the expected future cash flows were in excess of the carrying value of the business expected to be sold. Therefore, we did not recognize an impairment charge as of March 31, 2007. We will continue to assess these assets for recoverability during 2007 through the sale date. As the date of sale completion nears and insurance proceeds are received, future cash flows associated with these assets will diminish. At some point in 2007, we expect that future cash flows will no longer be sufficient to recover the carrying value of the business to be sold, which will continue to increase as we rebuild the plant, and we will recognize an impairment charge.

On June 27, 2006, we sold the assets comprising our U.S. butadiene and MTBE business operated by our Base Chemicals segment. The results of operations of this business were not classified as discontinued operations under applicable accounting rules because of the expected continuing cash flows from the MTBE business we continue to operate in our Polyurethanes segment.

On June 30, 2006, we acquired the textile effects business. The operating results of the textile effects business have been consolidated with our operating results beginning July 1, 2006.

The following unaudited pro forma consolidated statement of operations for the year ended December 31, 2006 gives effect to the Pending U.S. Petrochemical Disposition, the sale of our U.S. butadiene and MTBE business and the Textile Effects Acquisition as if these transactions occurred on January 1, 2006. The following unaudited pro forma consolidated statements of operations for the three months ended March 31, 2007 and for the years ended December 31, 2005 and 2004 give effect to the Pending U.S. Petrochemical Disposition as if the sale occurred at the beginning of the period presented. The following unaudited pro forma consolidated balance sheet as of March 31, 2007 gives effect to the Pending U.S. Petrochemicals Disposition as if the sale transaction occurred on March 31, 2007.

The pro forma information is not necessarily indicative of the financial position or results of operations of future periods or indicative of results that would have actually occurred had the transaction been completed as of the date thereof or as of the beginning of the periods presented therein. The pro forma adjustments, as described in the accompanying notes to the pro forma consolidated balance sheet and statements of operations, are based upon available information and certain assumptions we believe are reasonable. The pro forma financial information should be read in conjunction with our consolidated financial statements as incorporated herein by reference.

HUNTSMAN CORPORATION AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2007

(Dollars in Millions, Except Per Share Amounts)

	Huntsman Corporation	Pro Forma Adjustments(1)	Pro Forma
Revenues	$ 2,647.3	$ (493.8)	$ 2,153.5
Cost of goods sold	2,240.0	(484.0)	1,756.0
Gross profit	407.3	(9.8)	397.5
Operating expenses:			
Selling, general and administrative	219.0	(16.4)	202.6
Research and development	33.3		33.3
Other operating expense	5.9	(4.3)	1.6
Restructuring, impairment and plant closing costs	12.2	(1.1)	11.1
Total expenses	270.4	(21.8)	248.6
Operating income	136.9	12.0	148.9
Interest expense, net	(73.8)		(73.8)
Loss on accounts receivable securitization program	(5.4)		(5.4)
Equity in income of unconsolidated affiliates	2.2		2.2
Loss on early extinguishment of debt	(1.4)		(1.4)
Other income	0.5		0.5
Income from continuing operations before income taxes and minority interest	59.0	12.0	71.0
Income tax expense	(13.0)	(4.3)(2)	(17.3)
Minority interest in subsidiaries' income	(0.4)		(0.4)
Income from continuing operations	$ 45.6	$ 7.7	$ 53.3
Basic income per share:			
Income from continuing operations	$ 0.21	$ 0.03	$ 0.24
Diluted income per share:			
Income from continuing operations	$ 0.20	$ 0.03	$ 0.23

(1) Reflects the disposition of the U.S base chemicals and polymers business operations as a result of the anticipated sale transaction.

(2) Reflects the tax effect of the pro forma adjustments.

NOTE: The above pro forma statement of operations does not reflect the expected loss on the transaction or the reduction to interest expense resulting from the use of the sales proceeds.

HUNTSMAN CORPORATION AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2006

(Dollars in Millions, Except Per Share Amounts)

	Huntsman Corporation	Pro Forma Adjustments: Disposition of U.S. Base Chemicals and Polymers Business(1)	Disposition of U.S. Butadiene and MTBE Business(2)	Acquisition of Textile Effects Business(3)	Pro Forma
Revenues	$ 10,623.6	$ (1,880.9)	$ (473.5)	$ 546.5	$ 8,815.7
Cost of goods sold	9,084.1	(1,757.4)	(462.2)	374.5	7,239.0
Gross profit	1,539.5	(123.5)	(11.3)	172.0	1,576.7
Operating expenses:					
Selling, general and administrative	795.3	(27.2)	(2.1)	121.5	887.5
Research and development	115.4			13.2	128.6
Other operating income	(127.7)	9.2	(0.2)		(118.7)
Restructuring, impairment and plant closing costs	20.0	(8.8)		22.3	33.5
Total expenses	803.0	(26.8)	(2.3)	157.0	930.9
Operating income	736.5	(96.7)	(9.0)	15.0	645.8
Interest expense, net	(350.7)			(1.7)	(352.4)
Loss on accounts receivable securitization program	(16.1)	3.6			(12.5)
Equity in income of unconsolidated affiliates	3.6				3.6
Loss on early extinguishment of debt	(27.1)				(27.1)
Other income	1.3	7.4			8.7
Income from continuing operations before income taxes and minority interest	347.5	(85.7)	(9.0)	13.3	266.1
Income tax benefit	49.0	—(4)	—(4)	(5.0)	44.0
Minority interest in subsidiaries' income	(2.9)			1.7	(1.2)
Income from continuing operations	$ 393.6	$ (85.7)	$ (9.0)	$ 10.0	$ 308.9
Basic income per share:					
Income from continuing operations	$ 1.78	$ (0.39)	$ (0.04)	$ 0.05	$ 1.40
Diluted income per share:					
Income from continuing operations	$ 1.69	$ (0.36)	$ (0.04)	$ 0.04	$ 1.33

(1) Reflects the disposition of the U.S base chemicals and polymers business operations as a result of the anticipated sale transaction.

(2) Reflects the disposition of the U.S. butadiene and MTBE business' operations as a result of the sale transaction.

(3) Reflects the operations of the textile effects business for periods prior to its acquisition.

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

NOTE: The above pro forma statement of operations does not reflect the expected loss on the transaction or the reduction to interest expense resulting from the use of the sales proceeds.

HUNTSMAN CORPORATION AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2005

(Dollars in Millions, Except Per Share Amounts)

	Huntsman Corporation	Pro Forma Adjustments(1)	Pro Forma
Revenues	$ 10,676.9	$ (2,207.1)	$ 8,469.8
Cost of goods sold	9,061.5	(1,978.5)	7,083.0
Gross profit	1,615.4	(228.6)	1,386.8
Operating expenses:			
Selling, general and administrative	660.6	(32.5)	628.1
Research and development	95.5		95.5
Other operating expense	30.2	0.4	30.6
Restructuring, impairment and plant closing costs	114.1	(6.0)	108.1
Total expenses	900.4	(38.1)	862.3
Operating income	715.0	(190.5)	524.5
Interest expense, net	(426.6)		(426.6)
Loss on accounts receivable securitization program	(9.0)		(9.0)
Equity in income of unconsolidated affiliates	8.2		8.2
Loss on early extinguishment of debt	(322.5)		(322.5)
Other expense	(0.1)		(0.1)
Loss from continuing operations before income taxes and minority interest	(35.0)	(190.5)	(225.5)
Income tax benefit	6.1	—(2)	6.1
Minority interest in subsidiaries' income	(1.7)		(1.7)
Loss from continuing operations	$ (30.6)	$ (190.5)	$ (221.1)
Basic and diluted loss per share:			
Loss from continuing operations	$ (0.33)	$ (0.87)	$ (1.20)

(1) Reflects the disposition of the U.S base chemicals and polymers business operations as a result of the anticipated sale transaction.

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

NOTE: The above pro forma statement of operations does not reflect the expected loss on the transaction or the reduction to interest expense resulting from the use of the sales proceeds.

HUNTSMAN CORPORATION AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2004

(Dollar in Millions, Except Per Share Amounts)

	Huntsman Corporation	Pro Forma Adjustments(1)	Pro Forma
Revenues	$ 9,562.5	$ (1,945.9)	$ 7,616.6
Cost of goods sold	8,358.7	(1,811.4)	6,547.3
Gross profit	1,203.8	(134.5)	1,069.3
Operating expenses:			
Selling, general and administrative	638.8	(51.5)	587.3
Research and development	96.2		96.2
Other operating income	(77.0)	1.2	(75.8)
Restructuring, impairment and plant closing costs	282.9	(8.9)	274.0
Total expenses	940.9	(59.2)	881.7
Operating income	262.9	(75.3)	187.6
Interest expense, net	(612.6)		(612.6)
Loss on accounts receivable securitization program	(13.3)		(13.3)
Equity in income of unconsolidated affiliates	4.0		4.0
Loss on early extinguishment of debt	(25.6)		(25.6)
Other expense	(0.2)		(0.2)
Loss from continuing operations before income taxes and minority interest	(384.8)	(75.3)	(460.1)
Income tax benefit	72.0	—(2)	72.0
Minority interest in subsidiaries' income	(7.2)		(7.2)
Loss from continuing operations	$ (320.0)	$ (75.3)	$ (395.3)
Basic and diluted loss per share:			
Loss from continuing operations	$ (1.85)	$ (0.34)	$ (2.19)

(1) Reflects the disposition of the U.S base chemicals and polymers business operations as a result of the anticipated sale transaction.

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

NOTE: The above pro forma statement of operations does not reflect the expected loss on the transaction or the reduction to interest expense resulting from the use of the sales proceeds.

HUNTSMAN CORPORATION AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS OF MARCH 31, 2007

(Dollars in Millions)

	Huntsman Corporation	Pro Forma Adjustments	Pro Forma
ASSETS			
Current assets:			
Cash and cash equivalents	$ 143.5	$ 689.9(1)	$ 833.4
Accounts receivable, net	1,385.1		1,385.1
Accounts receivable from affiliates	15.7		15.7
Inventories, net	1,581.8	(201.7)(2)	1,380.1
Prepaid expenses	46.2		46.2
Deferred income taxes	62.9		62.9
Other current assets	170.5		170.5
Total current assets	3,405.7	488.2	3,893.9
Property plant and equipment, net	4,106.7	(642.6)(2)	3,464.1
Investment in unconsolidated affiliates	212.7		212.7
Intangible assets, net	186.2		186.2
Goodwill	91.7		91.7
Deferred income taxes	208.3	69.7(2)	278.0
Other noncurrent assets	402.1	(67.2)(2)	334.9
Total assets	$ 8,613.4	$ (151.9)	$ 8,461.5
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 1,104.5		$ 1,104.5
Accounts payable to affiliates	12.4		12.4
Accrued liabilities	821.6	$ (7.5)(2)	
		(13.5)(3)	800.6
Deferred income taxes	8.1		8.1
Current portion of long-term debt	178.8	(0.5)(2)	178.3
Total current liabilities	2,125.4	(21.5)	2,103.9
Long-term debt	3,516.0	(2.4)(2)	3,513.6
Deferred income taxes	193.5		193.5
Other noncurrent liabilities	963.8	(1.3)(2)	962.5
Total liabilities	6,798.7	(25.2)	6,773.5
Minority interests	30.3		30.3
Stockholders' equity			
Common stock	2.2		2.2
Mandatory convertible preferred stock	287.5		287.5
Additional paid-in capital	2,810.5		2,810.5
Unearned stock-based compensation	(19.2)		(19.2)
Accumulated deficit	(1,255.4)	(126.7)(4)	(1,382.1)
Accumulated other comprehensive loss	(41.2)		(41.2)
Total stockholders' equity	1,784.4	(126.7)	1,657.7
Total liabilities and stockholders' equity	$ 8,613.4	$ (151.9)	$ 8,461.5

(1) Reflects the net sale consideration, based on March 31, 2007 inventory values.

(2) Reflects the anticipated disposition of the U.S. base chemicals and polymers business.

(3) Reflects the accrual of liabilities associated with the sale transaction.

(4) Reflects the preliminary loss on the sale transaction as of March 31, 2007, net of taxes of $69.7 million. This loss on the transaction does not include anticipated capital expenditures that will be required to rebuild the Port Arthur, Texas, olefins manufacturing facility that was damaged by fire.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares of our common stock by the selling stockholders.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 1,200,000,000 shares of common stock, par value $0.01 per share, and 100,000,000 shares of preferred stock, par value $0.01 per share.

Common Stock

Holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of common stock do not have cumulative voting rights in the election of directors. Holders of common stock are entitled to receive ratably dividends if, as and when dividends are declared from time to time by our board of directors out of funds legally available for that purpose, after payment of dividends required to be paid on outstanding preferred stock, as described below, if any. Our senior credit facilities and indentures impose restrictions on our ability to declare dividends with respect to our common stock. Upon liquidation, dissolution or winding up, any business combination or a sale or disposition of all or substantially all of our assets, the holders of common stock are entitled to receive ratably the assets available for distribution to the stockholders after payment of liabilities and accrued but unpaid dividends and liquidation preferences on any outstanding preferred stock. The common stock has no preemptive or conversion rights and is not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of our common stock, including the common stock offered in this offering, are fully paid and non-assessable.

Preferred Stock

Our certificate of incorporation authorizes our board of directors, without stockholder approval, to establish one or more series of preferred stock and to determine, with respect to any series of preferred stock, the number of shares in that series and the terms, rights and limitations of that series.

The issuance of shares of preferred stock by our board of directors as described above may adversely affect the rights of the holders of our common stock. For example, preferred stock may rank prior to the common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock. The issuance of shares of preferred stock may discourage third-party bids for our common stock or may otherwise adversely affect the market price of the common stock. In addition, the preferred stock may enable our board of directors to make more difficult or to discourage attempts to obtain control of our company through a hostile tender offer, proxy contest, merger or otherwise, or to make changes in our management.

Mandatory Convertible Preferred Stock

Our mandatory convertible preferred stock constitutes a single series of our preferred stock, consisting of 5,750,000 shares, all of which are issued and outstanding. The holders of our mandatory convertible preferred stock have no preemptive rights. All shares of our mandatory convertible preferred stock are fully paid and non-assessable. Our mandatory convertible preferred stock ranks senior to our shares of common stock as to payment of dividends and distributions of assets upon our dissolution, liquidation or winding up.

Each share of our mandatory convertible preferred stock, unless previously converted, will automatically convert on February 16, 2008 into a number of shares of our common stock unless, prior to such date, (1) we have caused the conversion of our mandatory convertible preferred stock; (2) the holders of mandatory convertible preferred stock have converted their shares; (3) the mandatory convertible preferred stock has been converted in a merger or consolidation.

Anti-Takeover Effects of Certain Provision of Our Certificate of Incorporation and Bylaws

Certain provisions of our certificate of incorporation and bylaws, which are summarized in the following paragraphs, may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

Classified Board

Our certificate of incorporation provides that our board of directors is to be divided into three classes of directors, with the classes to be as nearly equal in number as possible. As a result, approximately one-third of our board of directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board. Our certificate of incorporation and bylaws provide that the number of directors is to be fixed from time to time exclusively pursuant to a resolution adopted by the board, but our certificate of incorporation provides that our board of directors must consist of not less than three nor more than fifteen directors.

Removal of Directors; Vacancies

Under the Delaware General Corporation Law ("DGCL") and our certificate of incorporation, directors serving on a classified board may be removed by the stockholders only for cause. In addition, our certificate of incorporation and bylaws also provide that any vacancies on our board of directors will be filled only by the affirmative vote of a majority of the remaining directors, although less than a quorum.

No Stockholder Action by Written Consent; Calling of Special Meetings of Stockholders

Our certificate of incorporation prohibits stockholder action by written consent. Our bylaws also provide that, except as otherwise provided by law and subject to the rights of any holders of a class or series of stock having a preference over the common stock, special meetings of our stockholders may be called only by the chairman of our board or a majority of the total number of authorized directors, whether or not there is any vacancy in previously authorized directorships.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our bylaws provide that stockholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of stockholders must provide timely notice of their proposal in writing to our corporate secretary.

Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the previous year's annual meeting. Our bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may impede stockholders' ability to bring matters before an annual meeting of stockholders or make nominations for directors at an annual meeting of stockholders.

Conflicts of Interest

Our amended and restated bylaws renounce certain interests or expectancies that we have in, or right to be offered an opportunity to participate in, specified business opportunities offered to any director who is not an officer or employee and who is either affiliated with MatlinPatterson or is specifically allowed by the board to participate in such opportunities. These directors and their affiliates have the right to engage in and no duty to refrain from engaging in:

- a corporate opportunity that does not relate primarily to the chemical business or any other line of business that we or our affiliates now engage in or propose to engage in; or
- a corporate opportunity presented to a director before being presented to us and not presented to the director in his capacity as one of our directors.

Subject to their fiduciary duties to us, these directors may have conflicts of interest with us a result of these opportunities and may compete with us.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the DGCL. Subject to specified exceptions, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the time of the transaction in which the person became an interested stockholder without the prior approval of our board of directors or the subsequent approval of our board of directors and our stockholders. "Business combinations" include mergers, asset sales and other transactions resulting in a financial benefit to the "interested stockholder." Subject to various exceptions, an "interested stockholder" is a person who together with his or her affiliates and associates, owns, or within three years did own, 15% or more of the corporation's outstanding voting stock. These restrictions may prohibit or delay the accomplishment of mergers or other takeover or change in control attempts.

Transfer Agent and Registrar

The Bank of New York is the transfer agent and registrar for our common stock.

SELLING STOCKHOLDERS

Jon M. Huntsman contributed shares of our common stock to the selling stockholders named below. We have filed this prospectus in order to permit the selling stockholders to resell these shares of our common stock to the public.

The following table, to our knowledge, sets forth information regarding the beneficial ownership of our common stock by the selling stockholders immediately after this contribution and the number of shares being offered hereby by the selling stockholders. For purposes of the following description, the term "selling stockholders" includes pledgees, donees, permitted transferees or other permitted successors-in-interest selling shares received after the date of this prospectus from Jon M. Huntsman and/or selling stockholders. The information is based on information provided by or on behalf of the selling stockholders. Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting or investment power with respect to shares, as well as any shares as to which the selling stockholder has the right to acquire beneficial ownership. Unless otherwise indicated below, the selling stockholder has sole voting and investment power with respect to its shares of common stock. The inclusion of any shares in this table does not constitute an admission of beneficial ownership for the selling stockholder. We will not receive any of the proceeds from the sale of our common stock by the selling stockholder.

Selling Stockholder	Shares Beneficially Owned Prior to Offering		Shares Being Offered	Shares Beneficially Owned After Offering(1)	
	Number	Percent(2)		Number	Percent(2)
The Fidelity Charitable Gift Fund	1,980,000	*	1,980,000	0	*
The Jon and Karen Huntsman Foundation	21,782,000	9.8%	21,782,000	0	*

* Less than 1%.

(1) We do not know when or in what amounts the selling stockholders may offer for sale the shares of common stock pursuant to this offering. The selling stockholders may choose not to sell any of the shares offered by this prospectus. Because the selling stockholders may offer all or some of the shares of common stock pursuant to this offering, and because there are currently no agreements, arrangements or undertakings with respect to the sale of any of the shares of common stock, we cannot estimate the number of shares of common stock that the selling stockholders will hold after completion of the offering. For purposes of this table, however, we have assumed that the selling stockholders will have sold all of the shares covered by this prospectus upon the completion of the offering.

(2) Percentages are based on 221,913,556 shares of common stock that were issued and outstanding as of June 25, 2007.

PLAN OF DISTRIBUTION

The selling stockholders may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales;
- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

The selling stockholders may also engage in short sales against the box, puts and calls and other transactions in our securities or derivatives of our securities and may sell or deliver shares in connection with these trades.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved. Any profits on the resale of shares of common stock by a broker-dealer acting as principal might be deemed to be underwriting discounts or commissions under the Securities Act. Discounts, concessions, commissions and similar selling expenses, if any, attributable to the sale of shares will be borne by a selling stockholder. The selling stockholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares if liabilities are imposed on that person under the Securities Act.

The selling stockholders may from time to time pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time under this prospectus after we have filed a prospectus supplement amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

The selling stockholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus and may sell the shares of common stock from time to time under this prospectus after we have filed a prospectus supplement amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

The selling stockholders and any broker-dealers or agents that are involved in selling the shares of common stock may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares of common stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

The selling stockholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares of common stock, nor is there an underwriter or coordinating broker acting in connection with a proposed sale of shares of common stock by any selling stockholder. If we are notified by any selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of shares of common stock, we will file a supplement to this prospectus if required. If the selling stockholders use this prospectus for any sale of the shares of common stock, they will be subject to the prospectus delivery requirements of the Securities Act.

The anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of our common stock and activities of the selling stockholders.

LEGAL MATTERS

The validity of the common stock offered in this prospectus will be passed upon for us by Stoel Rives LLP, Salt Lake City, Utah.

EXPERTS

The consolidated financial statements, the related financial statement schedules, and management's report on the effectiveness of internal control over financial reporting of Huntsman Corporation and subsidiaries incorporated in this prospectus by reference from Huntsman Corporation's Annual Report on Form 10-K for the year ended December 31, 2006 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference (which reports (1) express an unqualified opinion on the financial statements and financial statement schedules and include explanatory paragraphs referring to (i) the presentation of the consolidated financial statements as if Huntsman Holdings LLC and Huntsman Corporation were combined for all periods presented, (ii) the adoption of FASB Interpretation Nos. 46R and 47 during 2005 and FASB Statement No. 158 during 2006, and (iii) the company's change in measurement date for its pension and other postretirement benefit plans during 2005, (2) express an unqualified opinion on management's assessment regarding the effectiveness of internal control over financial reporting, and (3) express an adverse opinion on the effectiveness of internal control over financial reporting because of a material weakness), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The combined financial statements for the Textile Effects business of Ciba Specialty Chemicals Holding Inc. included in this prospectus have been audited by Ernst & Young Ltd, Independent Auditors, as stated in their report appearing herein (which contains explanatory paragraphs relating to i) the adoption of the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" as of January 1, 2003 and the adoption of the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" as of July 1, 2005, and ii) the adoption of Financial Accounting Standards Board Interpretation No. 46 "Consolidation of Variable Interest Entities" during 2003), and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus does not offer to sell or ask for offers to buy any securities other than those to which this prospectus relates and it does not constitute an offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities. The information contained in this prospectus is current only as of its date.

PROSPECTUS

Huntsman Corporation

23,762,000 Shares of Common Stock

June 26, 2007

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution

The following table sets forth our estimates of the expenses in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions.

Item		Amount
SEC registration fee	$	14,035
Legal fees and expenses		75,000
Accounting fees and expenses		30,000
Printing fees		10,000
Total	$	129,035

Item 15. Indemnification of Directors and Officers

The Delaware General Corporation Law ("DGCL") authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties. Our certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director, except for liability:

- for breach of duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;
- under Section 174 of the DGCL (unlawful dividends); or
- for transactions from which the director derived improper personal benefit.

Our amended and restated bylaws provide that we must indemnify our directors and officers to the fullest extent authorized by the DGCL. We are also expressly authorized to carry directors' and officers' insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

We also intend to enter into indemnification agreements with each of our officers and directors.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

In the opinion of the Securities and Exchange Commission, or the SEC, indemnification provisions that purport to include indemnification for liabilities arising under the Securities Act are contrary to public policy and are, therefore, unenforceable.

Item 16. Exhibits

(a) Exhibits.

Number	Description of Exhibit
2.1	Asset Purchase Agreement dated February 15, 2007 among Flint Hills Resources, LLC, Huntsman International LLC, Huntsman Petrochemical Corporation, Huntsman International Chemicals Corporation, Huntsman Polymers Holdings Corporation, Huntsman Expandable Polymers Company, LLC, Huntsman Polymers Corp. and Huntsman Chemical Company of Canada, Inc. (incorporated by reference to Exhibit 2.1 of our current report on Form 8-K filed on February 20, 2007)
2.2	Amended and Restated Asset Purchase Agreement dated June 22, 2007 among Flint Hills Resources, LP, Flint Hills Resources, LLC, Huntsman International LLC, Huntsman Petrochemical Corporation, Huntsman International Chemicals Corporation, Huntsman Polymers Holdings Corporation, Huntsman Expandable Polymers Company, LC, Huntsman Polymers Corp. and Huntsman Chemical Company of Canada, Inc. (incorporated by reference to Exhibit 2.1 of our current report on Form 8-K filed on June 25, 2007).
4.1	Form of stock certificate of Huntsman Corporation (incorporated by reference to Exhibit A to Exhibit 3.01 to the registration statement on Form S-1 of Huntsman Corporation (File No. 333-120749))
4.2	Form of mandatory convertible preferred stock certificate of Huntsman Corporation (incorporated by reference to Exhibit A to Exhibit 3.01 to the current report on Form 8-K of Huntsman Corporation filed February 16, 2005 (File No. 001-32427))
4.3	Form of Restricted Stock Agreement for Outside Directors (incorporated by reference to Exhibit 4.7 of our registration statement on Form S-8 filed February 10, 2006 (File No. 333-131729))
4.4*	Registration Rights Agreement, dated as of June 25, 2007, by and among Huntsman Corporation, Fidelity Charitable Gift Fund, and Jon M. Huntsman
4.5*	Registration Rights Agreement, dated as of June 25, 2007, by and among Huntsman Corporation, The Jon and Karen Huntsman Foundation, and Jon M. Huntsman
5.1*	Opinion and consent of Stoel Rives LLP regarding legality of securities being registered
23.1*	Consent of Deloitte & Touche LLP
23.2*	Consent of Ernst & Young Ltd
23.3*	Consent of Stoel Rives LLP (included in the opinion filed as Exhibit 5.1)
24.1*	Power of Attorney (included on signature page)
99.1*	Combined Financial Statements of the Textile Effects Business of Ciba Specialty Chemicals Holding Inc.

* Filed herewith.

Item 17. Undertakings

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or any decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (1)(i), (1)(ii) and (1)(iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed by the Registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(l)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which the prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(6) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by a Registrant of expenses incurred or paid by a director, officer or controlling person of a Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, that Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Salt Lake City, State of Utah, on June 26, 2007.

HUNTSMAN CORPORATION

By: /s/ PETER R. HUNTSMAN

Peter R. Huntsman
President and Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned officers and directors of Huntsman Corporation, hereby severally constitute and appoint Peter R. Huntsman, J. Kimo Esplin and Samuel D. Scruggs, and each of them singly (with full power to each of them to act alone), our true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution in each of them for him and in his name, place and stead, and in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as full to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement on Form S-3 has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
By: /s/ PETER R. HUNTSMAN Peter R. Huntsman	Director, President and Chief Executive Officer (principal executive officer)	June 26, 2007.
By: /s/ J. KIMO ESPLIN J. Kimo Esplin	Chief Financial Officer (principal financial officer)	June 26, 2007.
By: /s/ L. RUSSELL HEALY L. Russell Healy	Controller (principal accounting officer)	June 26, 2007.
By: /s/ JON M. HUNTSMAN Jon M. Huntsman	Director, Chairman	June 26, 2007.

By:	/s/ H. WILLIAM LICHTENBERGER H. William Lichtenberger	Director	June 26, 2007.
By:	/s/ RICHARD MICHAELSON Richard Michaelson	Director	June 26, 2007.
By:	/s/ DAVID J. MATLIN David J. Matlin	Director	June 26, 2007.
By:	/s/ MARSHA J. EVANS Marsha J. Evans	Director	June 26, 2007.
By:	/s/ CHRISTOPHER R. PECHOCK Christopher R. Pechock	Director	June 26, 2007.
By:	/s/ NOLAN D. ARCHIBALD Nolan D. Archibald	Director	June 26, 2007.
By:	/s/ ALVIN V. SHOEMAKER Alvin V. Shoemaker	Director	June 26, 2007.

EXHIBIT INDEX

Number	Description of Exhibit
2.1	Asset Purchase Agreement dated February 15, 2007 among Flint Hills Resources, LLC, Huntsman International LLC, Huntsman Petrochemical Corporation, Huntsman International Chemicals Corporation, Huntsman Polymers Holdings Corporation, Huntsman Expandable Polymers Company, LLC, Huntsman Polymers Corp. and Huntsman Chemical Company of Canada, Inc. (incorporated by reference to Exhibit 2.1 of our current report on Form 8-K filed on February 20, 2007)
2.2	Amended and Restated Asset Purchase Agreement dated June 22, 2007 among Flint Hills Resources, LP, Flint Hills Resources, LLC, Huntsman International LLC, Huntsman Petrochemical Corporation, Huntsman International Chemicals Corporation, Huntsman Polymers Holdings Corporation, Huntsman Expandable Polymers Company, LC, Huntsman Polymers Corp. and Huntsman Chemical Company of Canada, Inc. (incorporated by reference to Exhibit 2.1 of our current report on Form 8-K filed on June 25, 2007).
4.1	Form of stock certificate of Huntsman Corporation (incorporated by reference to Exhibit A to Exhibit 3.01 to the registration statement on Form S-1 of Huntsman Corporation (File No. 333-120749))
4.2	Form of mandatory convertible preferred stock certificate of Huntsman Corporation (incorporated by reference to Exhibit A to Exhibit 3.01 to the current report on Form 8-K of Huntsman Corporation filed February 16, 2005 (File No. 001-32427))
4.3	Form of Restricted Stock Agreement for Outside Directors (incorporated by reference to Exhibit 4.7 of our registration statement on Form S-8 filed February 10, 2006 (File No. 333-131729))
4.4*	Registration Rights Agreement, dated as of June 25, 2007, by and among Huntsman Corporation, Fidelity Charitable Gift Fund, and Jon M. Huntsman
4.5*	Registration Rights Agreement, dated as of June 25, 2007, by and among Huntsman Corporation, The Jon and Karen Huntsman Foundation, and Jon M. Huntsman
5.1*	Opinion and consent of Stoel Rives LLP regarding legality of securities being registered
23.1*	Consent of Deloitte & Touche LLP
23.2*	Consent of Ernst & Young Ltd
23.3*	Consent of Stoel Rives LLP (included in the opinion filed as Exhibit 5.1)
24.1*	Power of Attorney (included on signature page)
99.1*	Combined Financial Statements of the Textile Effects Business of Ciba Specialty Chemicals Holding Inc.

* Filed herewith

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Exhibit 4.4

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "*Agreement*") is made as of June 25, 2007, by and among Huntsman Corporation, a Delaware corporation (the "*Corporation*"), Fidelity Charitable Gift Fund, a charitable trust, duly organized and validly existing under the laws of the Commonwealth of Massachusetts ("*CGF*"), and Jon M. Huntsman, an individual ("*JMH*"). Capitalized terms used in this Agreement and not otherwise defined shall have the meanings ascribed to such terms in that certain Registration Rights Agreement dated as of February 10, 2005 by and among the Corporation and the other parties thereto (as amended, supplemented or otherwise modified from time to time, the "*Registration Agreement*").

WHEREAS, JMH plans to make a charitable contribution of up to 1,980,000 shares of the common stock (the "*Contribution Shares*") of the Corporation to CGF (the "*Contribution*");

WHEREAS, each of JMH and CGF has rights to demand the registration of Registrable Securities pursuant to the Registration Agreement, and the parties desire to clarify such rights pursuant to this Agreement; and

WHEREAS, JMH and CGF have requested that the Corporation file a Registration Statement on Form S-3 to cover the potential resale of the Contribution Shares by CGF (the "*Contribution Resale Registration Statement*").

NOW, THEREFORE, the Corporation, CGF and JMH hereby agree as follows:

Section 1. Definition

"*Filing Deadline*" is the first time the Corporation may file the Contribution Resale Registration Statement under the applicable rules and regulations of the U.S. Securities and Exchange Commission ("*SEC*") without violating any such applicable rules or regulations and without, in the discretion of the Corporation, creating any unreasonable risk of a liability to the Corporation.

Section 2. Registration Rights

The Corporation shall prepare, and, as soon as practicable but in no event later than the Filing Deadline, file with the SEC the Contribution Resale Registration Statement covering the resale of the Contribution Shares.

Section 3. Other Matters

All other matters relating to the Contribution Resale Registration Statement, including, without limitation, registration expenses, indemnification, contribution and miscellaneous, shall be governed by the terms and conditions of the Registration Agreement. This Agreement may be executed in identical counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

HUNTSMAN CORPORATION

By: /s/ SEAN DOUGLAS

Sean Douglas
Its: Vice President and Treasurer

FIDELITY CHARITABLE GIFT FUND

By: /s/ MARK ALCAIDE

Mark Alcaide
Its: SVP—Chief Financial Officer

By: /s/ JON M. HUNTSMAN

Jon M. Huntsman, an individual

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REGISTRATION RIGHTS AGREEMENT

Exhibit 4.5

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "*Agreement*") is made as of June 25, 2007, by and among Huntsman Corporation, a Delaware corporation (the "*Corporation*"), The Jon and Karen Huntsman Foundation, a Utah nonprofit corporation (the "*Foundation*"), and Jon M. Huntsman, an individual ("*JMH*"). Capitalized terms used in this Agreement and not otherwise defined shall have the meanings ascribed to such terms in that certain Registration Rights Agreement dated as of February 10, 2005 by and among the Corporation and the other parties thereto (as amended, supplemented or otherwise modified from time to time, the "*Registration Agreement*").

WHEREAS, JMH plans to make a charitable contribution of up to 21,782,000 shares of the common stock (the "*Contribution Shares*") of the Corporation to the Foundation (the "*Contribution*");

WHEREAS, each of JMH and the Foundation has rights to demand the registration of Registrable Securities pursuant to the Registration Agreement, and the parties desire to clarify such rights pursuant to this Agreement; and

WHEREAS, JMH and the Foundation have requested that the Corporation file a Registration Statement on Form S-3 to cover the potential resale of the Contribution Shares by the Foundation (the "*Contribution Resale Registration Statement*").

NOW, THEREFORE, the Corporation, the Foundation and JMH hereby agree as follows:

Section 1. Definition

"*Filing Deadline*" is the first time the Corporation may file the Contribution Resale Registration Statement under the applicable rules and regulations of the U.S. Securities and Exchange Commission ("*SEC*") without violating any such applicable rules or regulations and without, in the discretion of the Corporation, creating any unreasonable risk of a liability to the Corporation.

Section 2. Registration Rights

The Corporation shall prepare, and, as soon as practicable but in no event later than the Filing Deadline, file with the SEC the Contribution Resale Registration Statement covering the resale of the Contribution Shares.

Section 3. Other Matters

All other matters relating to the Contribution Resale Registration Statement, including, without limitation, registration expenses, indemnification, contribution and miscellaneous, shall be governed by the terms and conditions of the Registration Agreement. This Agreement may be executed in identical counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

HUNTSMAN CORPORATION

By: /s/ SEAN DOUGLAS

Sean Douglas
Its: Vice President and Treasurer

THE JON AND KAREN HUNTSMAN FOUNDATION

By: /s/ PAUL C. HUNTSMAN

Paul C. Huntsman
Its: Vice President

By: /s/ JON M. HUNTSMAN

Jon M. Huntsman, an individual

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REGISTRATION RIGHTS AGREEMENT

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Exhibit 5.1

June 25, 2007

Huntsman Corporation
500 Huntsman Way
Salt Lake City, UT 84108

Re: *Registration Statement of Huntsman Corporation*

Ladies and Gentlemen:

Reference is made to the Registration Statement (the "*Registration Statement*") on Form S-3 (file number 333-) filed by Huntsman Corporation, a Delaware limited liability company (the "*Company*"), with the Securities and Exchange Commission (the "*Commission*") on June 25, 2007 by the Company pursuant to the Securities Act of 1933, as amended (the "*Securities Act*"), related to the public offering by the selling stockholders named therein (the "*Selling Stockholders*") of up to 23,762,000 shares of the Company's common stock (the "*Offer*").

In connection with the preparation of this opinion letter and as the basis for the opinion (the "*Opinion*") set forth below, We have examined originals or copies of such corporate records, certificates of officers of the Company and public officials and such other documents as we have deemed necessary for the purpose of rendering this opinion.

For purposes of this opinion letter, "*DGCL*" means and is limited to the present published General Corporation Law of the State of Delaware as contained in the publication *Delaware Laws Affecting Business Entities Annotated* (Aspen Publishers, Inc.) (2006), the applicable provisions of the Delaware constitution and the present published judicial decisions interpreting the General Corporation Law of the State of Delaware.

Based upon the examination described above, subject to the assumptions, qualifications, limitations and exceptions set forth in this opinion letter and under current interpretations of the DGCL, we are of the opinion that:

1. The Common Shares have been legally issued and are fully paid and nonassessable.

The foregoing opinion (the "Opinion") is predicated upon and are limited by the matters set forth in herein and is further subject to the qualifications, exceptions, assumptions and limitations set forth below:

A. The Opinion is limited to the DGCL. We express no opinion as to local laws or the laws of any other state or country.

B. In rendering the Opinions, we have assumed that each of the Company has complied with the provisions of the securities laws, "blue sky" laws, securities regulations, and/or securities rules of any applicable state and the United States of America.

C. In rendering the Opinion, we have assumed (i) the genuineness of all signatures, (ii) the capacity and the authority of all individuals executing documents (other than officers of the Company), (iii) the conformity to the original documents of all photocopies or facsimile copies submitted to us, whether certified or not and (iv) the authenticity of all documents submitted to us as originals.

D. The Opinion is limited to that expressly stated and no other opinions should be implied.

E. Unless otherwise specifically indicated, the Opinion is as of the date of this opinion letter and we assume no obligation to update or supplement the Opinion to reflect any facts or circumstances that may later come to our attention or any change in the law that may occur after the date of this opinion letter.

We hereby consent to the use of this opinion as an exhibit to the Registration Statement. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations promulgated thereunder.

Respectfully submitted,

/s/ Stoel Rives LLP

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Exhibit 5.1

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Registration Statement on Form S-3 of (1) our report dated February 28, 2007, relating to the consolidated financial statements and financial statement schedules of Huntsman Corporation and subsidiaries (which report expresses an unqualified opinion on the financial statements and financial statement schedules and includes explanatory paragraphs referring to (i) the presentation of the consolidated financial statements as if Huntsman Holdings LLC and Huntsman Corporation were combined for all periods presented, (ii) the adoption of FASB Interpretation Nos. 46R and 47 during 2005 and FASB Statement No. 158 during 2006, and (iii) the company's change in measurement date for its pension and other postretirement benefit plans during 2005), and (2) our report dated February 28, 2007, relating to management's report on the effectiveness of internal control over financial reporting (which report expresses an unqualified opinion on management's assessment regarding the effectiveness of internal control over financial reporting, and expresses an adverse opinion on the effectiveness of internal control over financial reporting because of a material weakness) appearing in the Annual Report on Form 10-K of Huntsman Corporation for the year ended December 31, 2006 and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
June 21, 2007

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Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated June 22, 2006, with respect to the combined financial statements of the Textile Effects Business of Ciba Specialty Chemicals Holding Inc. as of December 31, 2005, 2004 and 2003 and for the three years in the period ended December 31, 2005 included in the Registration Statement on Form S-3 and related prospectus of Huntsman Corporation for the resale of contributed shares of common stock.

Ernst & Young Ltd

/s/ CHERRIE CHIOMENTO	/s/ MARTIN MATTES
Cherrie Chiomento	Martin Mattes

Zurich, Switzerland

June 25, 2007

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[CONSENT OF INDEPENDENT AUDITORS]

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Exhibit 99.1

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of Ciba Specialty Chemicals Holding Inc.

We have audited the accompanying combined balance sheets of the Textile Effects Business of Ciba Specialty Chemicals Holding Inc. (the "Company", as defined in Note 1) as of December 31, 2005, 2004 and 2003, and the related combined statements of income and cash flows and the statement of net investment for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Textile Effects Business of Ciba Specialty Chemicals Holding Inc. at December 31, 2005, 2004 and 2003 and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States.

As discussed in Note 16 to the combined financial statements, the Company changed its accounting principles to adopt, as of January 1, 2003, the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". As discussed in Note 16 to the combined financial statements, the Company changed its accounting principles to adopt, as of July 1, 2005, the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment".

As discussed in Note 1 to the combined financial statements, in 2003 the Company adopted Financial Accounting Standards Board Interpretation No. 46 "Consolidation of Variable Interest Entities".

Ernst & Young Ltd

/s/ CHERRIE CHIOMENTO	/s/ MARTIN MATTES
Cherrie Chiomento	Martin Mattes

Zurich, Switzerland
June 22, 2006

TEXTILE EFFECTS BUSINESS OF CIBA SPECIALTY CHEMICALS HOLDING INC.

COMBINED STATEMENTS OF INCOME

(in millions of Swiss francs)

	Notes	Year ended December 31, 2005	2004	2003
Net sales		1,276	1,293	1,395
Cost of goods sold		(922)	(922)	(991)
Gross profit		354	371	404
Selling, general and administrative		(273)	(301)	(325)
Research and development		(29)	(29)	(32)
Amortization of other intangible assets	8	(2)	(2)	(2)
Restructuring and impairment charges	9, 10	(626)	(31)	0
Operating income (loss)		(576)	8	45
Interest expense		(1)	(1)	(1)
Other financial income (expense), net		8	(6)	(11)
Income (loss) before income taxes and minority interest		(569)	1	33
Provision for income taxes	14	2	(5)	(17)
Minority interest		(1)	0	0
Net income (loss)		(568)	(4)	16

TEXTILE EFFECTS BUSINESS OF CIBA SPECIALTY CHEMICALS HOLDING INC.

COMBINED BALANCE SHEETS

(in millions of Swiss francs)

		December 31,		
	Notes	2005	2004	2003
Assets				
Current assets				
Cash and cash equivalents		6	3	8
Accounts receivable, net	4	245	224	242
Inventories	5	309	302	309
Prepaid and other current assets		24	25	29
Prepaid pension costs	17	47	42	28
Deferred income taxes	14	8	27	26
Total current assets		639	623	642
Property, plant and equipment, net	6	0	287	292
Goodwill	7	0	156	156
Other intangible assets, net	8	1	46	48
Other assets	11	30	15	21
Total assets		670	1,127	1,159
Liabilities and net investment				
Current liabilities				
Accounts payable		115	115	112
Short-term debt	13	10	12	14
Short-term debt from related parties	18	10	2	6
Accruals and other current liabilities	12	130	114	105
Total current liabilities		265	243	237
Deferred income taxes	14	2	8	0
Other liabilities	15	75	70	69
Total liabilities		342	321	306
Minority interest		2	3	3
Net investment of Ciba Specialty Chemicals Holding Inc. in the net assets of the Textile Effects Business		326	803	850
Total liabilities and net investment		670	1,127	1,159

TEXTILE EFFECTS BUSINESS OF CIBA SPECIALTY CHEMICALS HOLDING INC.

COMBINED STATEMENTS OF CASH FLOWS

(in millions of Swiss francs)

	Year ended December 31,		
	2005	2004	2003
Cash flows from operating activities			
Net income (loss)	(568)	(4)	16
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	52	56	60
Deferred income taxes	4	15	5
Restructuring and impairment charges	626	31	0
Minority interest and other non-cash items, net	(144)	(46)	(17)
Changes in operating assets and liabilities:			
Accounts receivable, net	(4)	10	26
Inventories	11	(1)	54
Accounts payable	(5)	6	2
Other operating assets and liabilities	11	(3)	(12)
Net cash provided by (used in) operating activities	(17)	64	134
Cash flows from investing activities			
Capital expenditures	(22)	(42)	(20)
Proceeds from sale of assets	1	1	2
Loans and other long-term assets	(8)	3	0
Net cash used in investing activities	(29)	(38)	(18)
Cash flows from financing activities			
Increase (decrease) in short-term debt, net	(4)	(2)	4
Increase (decrease) in short-term debt from related parties, net	7	(3)	3
Net contributions/(withdrawals) by Ciba Specialty Chemicals Holding Inc.	46	(26)	(117)
Net cash provided by (used in) financing activities	49	(31)	(110)
Effect of exchange rate changes on cash and cash equivalents	0	0	(2)
Net increase (decrease) in cash and cash equivalents	3	(5)	4
Cash and cash equivalents, beginning of year	3	8	4
Cash and cash equivalents, end of year	6	3	8

TEXTILE EFFECTS BUSINESS OF CIBA SPECIALTY CHEMICALS HOLDING INC.

STATEMENT OF NET INVESTMENT

(in millions of Swiss francs)

Since the Textile Effects Business is not a separate legal entity, the following statement of net investment is presented in lieu of a statement of shareholders equity:

	Paid-in capital and retained earnings	Accumulated other comprehensive income (loss)	Total
Net investment at December 31, 2002	927	60	987
Net income (loss)	16	0	16
Currency translation adjustments	0	(36)	(36)
Comprehensive income (loss)	16	(36)	(20)
Net contributions/(withdrawals) by Ciba Specialty Chemicals Holding Inc.	(117)	0	(117)
Net investment at December 31, 2003	826	24	850
Net income (loss)	(4)	0	(4)
Currency translation adjustments	0	(17)	(17)
Comprehensive income (loss)	(4)	(17)	(21)
Net contributions/(withdrawals) by Ciba Specialty Chemicals Holding Inc.	(26)	0	(26)
Net investment at December 31, 2004	796	7	803
Net income (loss)	(568)	0	(568)
Currency translation adjustments	0	45	45
Minimum pension liability adjustment, net of tax of CHF 1	0	(3)	(3)
Comprehensive income (loss)	(568)	42	(526)
Net contributions/(withdrawals) by Ciba Specialty Chemicals Holding Inc.	49	0	49
Net investment at December 31, 2005	277	49	326

The after-tax components of accumulated other comprehensive income (loss) are as follows:

	Year ended December 31,		
	2005	2004	2003
Currency translation adjustment	52	7	24
Minimum pension liability, net of tax	(3)	0	0
Accumulated other comprehensive income	49	7	24

The deferred tax effect on the minimum pension liability adjustment is a deferred tax benefit of CHF 1 million in 2005 (2004 and 2003: CHF 0 million). The currency translation adjustment is not adjusted for income taxes as it relates primarily to indefinite investments in non-Swiss operations.

1. BASIS OF PRESENTATION

CIBA SPECIALTY CHEMICALS HOLDING INC.

Ciba Specialty Chemicals Holding Inc. and its consolidated subsidiaries ("Ciba Specialty Chemicals" or the "Company") is a global leader in the discovery and manufacture of innovative specialty chemicals that provide color, performance and care for plastics, coatings, textile, paper and other products. The Company's products and services are also used to provide clean water and to treat water streams in industrial and municipal applications.

TEXTILE EFFECTS SEGMENT

The segment Textile Effects ("Segment") serves customers throughout the textile value chain, offering full, integrated solutions for textile processing and value adding effects. The Segment's products include dyes and chemicals for preparation, dyeing, printing, whitening and finishing of all major textiles, as well as sizing agents for fabric weaving. The Segment also provides comprehensive services to help customers achieve their color, comfort and performance requirements.

DIVESTMENT OF TEXTILE EFFECTS BUSINESS

On February 20, 2006, the Company announced that it had entered into a definitive agreement to sell the Textile Effects Business of Ciba Specialty Chemicals Holding Inc. (the "Textile Effects Business") to Huntsman Corporation ("Huntsman") for a consideration of CHF 322 million in cash and assumed debt. The Textile Effects Business comprises substantially all of the operations of the Textile Effects Segment. The assets and liabilities allocated to the Textile Effects Business include certain assets and liabilities of the Textile Effect Segment as well as certain assets and liabilities of the Company's other reporting segments and group service units that have been assigned to the Textile Effects Business in accordance with the Share and Asset Purchase Agreement ("SAPA") between the Company and Huntsman, dated February 20, 2006.

BASIS OF COMBINATION AND PRESENTATION

The accompanying combined financial statements of the Textile Effects Business include the assets, liabilities, results of operations and cash flows attributable to the Textile Effects Business of Ciba Specialty Chemicals Holding Inc. and its wholly owned and majority owned subsidiaries. These financial statements have been derived from the Company's December 31, 2005, 2004 and 2003 consolidated financial statements and have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

The Textile Effects Business comprises substantially all of the operations of the Textile Effects Segment of Ciba Specialty Chemicals. The Textile Effects Business is not a separate legal entity and has not been separately financed. The majority of the operations of the Textile Effects Business is operated in legal entities that include some of the business operations of the Company's other operating segments. For these legal entities, the assets, liabilities, results of operations and cash flows that relate to the operations, affairs and conduct of the Textile Effects Business operations have been allocated to the Textile Effects Business according to the procedures and methods described below and are included in the accompanying combined financial statements. The assets, liabilities, results of operations and cash flows of legal entities that are exclusive to the Textile Effects Business, in which Ciba Specialty Chemicals has a controlling interest, have been consolidated and any applicable minority interest has been recorded. The position "Net investment of Ciba Specialty Chemicals Holding Inc. in the net assets of the Textile Effects Business", included in the accompanying combined financial statements, represents the residual net investment in the Textile Effects Business contributed by Ciba Specialty Chemicals. All significant intercompany accounts and transactions between Textile Effects Business operating units have been eliminated in the combined financial statements.

Assets and liabilities have been attributed in the Combined Balance Sheets according to the SAPA. Accordingly, property, plant and equipment, accounts receivable and inventories that are directly related to the Textile Effects Business as defined in the SAPA have been directly attributed in the Combined Balance Sheets. Prepaid and other current assets, other assets, accounts payable, accruals and other current liabilities and other liabilities include amounts specifically identified as they relate to the Textile Effects Business operations and also include allocations of shared assets and liabilities that have been allocated to the Textile Effects Business primarily according to sales and headcount keys.

"Restructuring and impairment charges" includes restructuring expenses that were incurred by the Company and are directly related to the Textile Effects Business operations. These costs were not previously charged to the Textile Effects Segment of the Company.

Allocations of corporate headquarters expenses have been included in the line "Selling, general and administrative" in the Combined Statements of Income. These expenses relate to corporate accounting and treasury, legal and environmental advisory, corporate technology, human resources, corporate communications, internal audit and executive committee activities. Costs have been allocated based on the Textile Effects Business sales in each year relative to the Company's.

"Other financial expense, net" includes allocations of treasury and risk management costs that were not previously charged to the Company's reporting segments. These costs have been allocated based on the relative sales and raw material costs of the Textile Effects Business to the Company's.

The Textile Effects Business, as part of Ciba Specialty Chemicals, receives IT infrastructure services rendered by the Company. These services relate mainly to the provision of wide area network ("WAN") and enterprise resource planning ("ERP") systems. The services are charged at cost of providing the service primarily according to number of users. The Textile Effects Segment also provides manufacturing services to and receives manufacturing services from the Company. Costs charged between the Textile Effects Segment and the Company are for the costs of providing the services and include total manufacturing cost incurred by the operating unit providing the service.

Taxes are closely linked with the legal structure of the Company and are affected by operational and non-operational transactions. The provision (benefit) for income taxes attributable to the Textile Effects Business has been computed on the separate return method. This included an allocation of the Ciba Specialty Chemicals group tax provision which was computed using an effective tax rate excluding the effects of items that would be specifically related to the Textile Effects Segment had they filed a separate income tax return in the years presented. The specifically identified items were then added to the allocated tax expense to compute the full allocable tax expense for the Textile Effects Business. Income taxes payable or receivable that would have been incurred by the Company on behalf of the Textile Effects Business are included in the line "Net investment of Ciba Specialty Chemicals Holding Inc. in the net assets of the Textile Effects Business" in the Combined Balance Sheets.

Deferred income taxes have been allocated based on the underlying allocation of the assets and liabilities of the Textile Effects Business in each of the tax paying jurisdictions in which Textile Effects Business operates.

Management of the Company believes the allocations reflected in the 2005, 2004 and 2003 combined financial statements are reasonable under the circumstances, however, the costs allocated to the Textile Effects Business are not necessarily indicative of the costs that would have been incurred if the Textile Effects Business had incurred these costs and performed these functions as a stand-alone entity. In addition, there can be no assurances that such allocations will necessarily be indicative of the future results of operations or what the financial position and results of operations of the Textile Effects Business would have been had it been a separate stand-alone entity during the periods covered.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management of the Company 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. Although these estimates are based on management of the Company's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOREIGN CURRENCY TRANSLATION

The Textile Effects Business' financial statements are prepared in millions of Swiss francs (CHF million). For most operations outside of Switzerland, where the functional currency is the local currency, income, expense and cash flows are translated at average exchange rates during the period, and assets and liabilities are translated at period-end exchange rates. The translation adjustments are included as a component of other comprehensive income in "Net investment of Ciba Specialty Chemicals Holding Inc. in the net assets of the Textile Effects Business" in the accompanying Combined Balance Sheets. The financial statements of subsidiaries that operate in economic environments that are highly inflationary maintain financial information for reporting purposes in U.S. dollars or Swiss francs and include gains and losses from translation in income. For foreign currency transactions, changes in exchange rates that arise between transaction, reporting and settlement dates resulted in both realized and unrealized exchange gains and losses.

CASH EQUIVALENTS

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at their net realizable value after deducting an allowance for doubtful accounts. Such deductions reflect either specific cases or estimates based on historical incurred losses. This also includes an allowance for country specific transfer risks.

INVENTORIES

The Company values its inventories at the lower of cost, determined principally on a first-in, first-out (FIFO) method, or market. Costs include all costs of production, including applicable portions of plant overhead. Allowances are made for obsolete and slow-moving inventory.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets ranging from approximately 20 to 50 years for buildings, 5 to 20 years for machinery and equipment, and 3 to 10 years for office furniture and fixtures and other equipment. The Company assesses its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. In such cases, if the sum of the asset's expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the excess of the asset's carrying amount over its fair value.

Property, plant and equipment acquired through finance lease arrangements are recorded as assets at the lesser of the present value of the minimum future lease payments or their fair value at the date of acquisition and depreciated over the useful life of the asset or, if the lease does not provide for the transfer of ownership of the assets to the Company, the lease term if it is shorter than the useful life of the asset. The corresponding obligation is recorded as a liability in the Combined Balance Sheets.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill acquired in business combinations is capitalized at acquisition cost and annually evaluated at the reporting unit level for impairment using a two-step impairment test. In the first step, the book value of the reporting unit's assets, including goodwill and other intangibles, and liabilities (the "net assets") is compared to the fair value of the reporting unit. If the fair value of the reporting unit exceeds the book value of its net assets, goodwill is deemed not impaired and the second step is not required. If, however, the fair value of the reporting unit is less than the book value of its net assets, the second step is required to measure the amount of impairment loss, if any.

In the second step, the current fair value of the reporting unit is allocated to all of its tangible assets, other intangible assets (including unrecognized intangible assets but excluding goodwill) and liabilities (the "assets and liabilities"). This fair value allocation to the assets and liabilities is made as if the reporting unit had been acquired as of the impairment testing date in a business combination and the fair value of the reporting unit was the price that would have been paid to acquire the reporting unit. The excess, if any, of the total current fair value of the reporting unit over the sum of the individual fair values assigned to its assets and liabilities is considered to be the current implied fair value of goodwill of the reporting unit. If the book value of the reporting unit's goodwill exceeds this implied fair value of goodwill, that excess is an impairment loss, which is recorded as a component of operating income in the Combined Statements of Income. If the book value of the reporting unit's goodwill is less than the implied fair value of goodwill, goodwill is not impaired.

During 2005, the Company completed the annual impairment test of goodwill and determined that the Textile Effects Business reported goodwill was fully impaired. See note 7.

Other intangible assets

Purchased identifiable intangible assets ("other intangible assets") are capitalized at acquisition cost. Other intangible assets with finite lives are amortized on a straight-line basis over the estimated periods that such assets are expected to contribute to the cash flows of the Company (5 to 36 years). Other intangible assets with indefinite lives are not amortized.

The Company assesses other intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. For such assets that are tested for impairment, if the sum of the asset's expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the excess of the asset's carrying amount over its fair value.

Other intangible assets with indefinite lives are reviewed annually for impairment, or on an interim basis if indications of possible impairment are present. For such assets, if the carrying amount exceeds its fair value, an impairment loss is recognized in an amount equal to that difference. Intangible assets with indefinite lives are reviewed annually to determine whether their useful lives remain indefinite. If such an asset is then determined to have a finite life, the asset is tested for impairment. The carrying amount of the intangible asset after recognition of an impairment charge, if any, is then amortized over the asset's remaining useful life and further accounted for in the same manner as other intangible assets with finite lives.

FINANCIAL INSTRUMENTS

The Company determines that, due to their short-term nature, financial assets and liabilities such as cash equivalents, accounts receivable, accounts payable and short-term debt, have book values approximating their fair values.

REVENUE RECOGNITION

Revenue is recognized upon shipment of goods to customers. Provisions for discounts and rebates to customers, product returns and other adjustments are provided for in the same period the related sales are recorded.

INCOME TAXES

The provision for income taxes has been determined using the asset and liability approach and consists of allocated income taxes currently paid or payable to taxing authorities in the jurisdictions in which the Textile Effects Business operates plus allocated deferred taxes for the current year. Deferred taxes represent the estimated future tax consequences of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a future tax benefit will not be realized.

RESTRUCTURING

Costs associated with exit or disposal activities that do not involve discontinued operations are included in "Restructuring and impairment charges" in the Textile Effects Business' Combined Statements of Income. Liabilities for costs associated with exit or disposal activities are initially recognized and measured at fair value in the period in which the liability is incurred. Liabilities for one-time termination benefits provided to employees that are involuntarily terminated are recognized and measured at their fair value at the communication date unless the employees are required to render service beyond a minimum retention period in order to receive the termination benefits. If employees are required to render service beyond a minimum retention period, liabilities for the termination benefits are measured initially at the communication date based on the fair value of the liabilities as of the termination date and recognized ratably over the future service period.

Liabilities for costs to terminate contracts before the end of their term are recognized and measured at their fair value when the contracts are terminated. Liabilities for costs that continue to be incurred under contracts for their remaining term without economic benefit to the Company are recognized and measured at their fair value when the Company ceases using the rights conveyed by the contracts. Liabilities for other costs associated with exit or disposal activities are recognized and measured at their fair value in the periods in which the liabilities are incurred.

ENVIRONMENTAL COMPLIANCE AND EXPENDITURES

The measurement of environmental liabilities is based on an evaluation of currently available facts with respect to each individual site and considers factors such as existing technology, presently enacted laws and regulations and prior experience in remediation of contaminated sites. Environmental operations and maintenance as well as remediation costs are accrued when environmental assessments and the need for remediation are probable and the costs can be reasonably estimated. The estimated liability is not discounted. Actual costs to be incurred at identified sites in future periods may vary from the estimates given the inherent uncertainties in evaluating environmental exposures.

NEW ACCOUNTING STANDARDS

In 2003, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 46, as revised ("FIN No. 46R") "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51". FIN No. 46R introduced a variable interests model to determine control and consolidation of variable interest entities. Adoption of FIN No. 46R did not have a material effect on the financial statements of the Textile Effects Business.

There were no new accounting standards issued by the FASB or other authoritative standard setters that became effective during 2005 and that had a material effect on the Textile Effects Business' financial statements. In addition, several other new accounting standards were issued by the FASB as of December 31, 2005 that were not required to be adopted during 2005, but will require adoption in 2006 or later. None of these issued but not yet adopted new accounting standards are expected to have a material effect on the Textile Effects Business' results of operations or financial position when adopted in the future.

3. EXCHANGE RATES OF PRINCIPAL CURRENCIES

			Statement of income average rates			Balance sheet year-end rates		
			2005	2004	2003	2005	2004	2003
1	U.S. dollar	(USD)	1.24	1.24	1.35	1.31	1.15	1.25
1	British pound	(GBP)	2.26	2.27	2.20	2.28	2.21	2.21
1	Euro	(EUR)	1.55	1.54	1.52	1.56	1.54	1.56
100	Japanese yen	(JPY)	1.13	1.15	1.16	1.12	1.11	1.17

4. ACCOUNTS RECEIVABLE

	December 31,		
	2005	2004	2003
Accounts receivable	284	261	282
Allowance for doubtful accounts	(39)	(37)	(40)
Total	245	224	242

5. INVENTORIES

	December 31,		
	2005	2004	2003
Raw materials	44	39	38
Work in process and finished goods	265	263	271
Total	309	302	309

Work in process and finished goods are shown after deducting allowances for obsolete, slow-moving and lower of cost or market adjustments of CHF 11 million in 2005, CHF 11 million in 2004 and CHF 13 million in 2003.

6. PROPERTY, PLANT AND EQUIPMENT

	December 31,		
	2005	2004	2003
Land	0	3	3
Buildings	0	225	224
Machinery and equipment	0	726	725
Construction in progress	0	15	8
Gross carrying amount	0	969	960
Less: accumulated depreciation	0	(682)	(668)
Total	0	287	292

In 2005, the carrying value of the Textile Effects Business' fixed assets of CHF 288 million was determined to be fully impaired. See note 9.

Depreciation expenses recorded in the Combined Statements of Income in 2005 were CHF 50 million, 2004 CHF 54 million and in 2003 CHF 58 million.

7. GOODWILL

In 2005, the carrying value of the Textile Effects Business' goodwill of CHF 161 million was determined to be fully impaired with the result that no amounts for goodwill are remaining in the 2005 Combined Balance Sheet. Other than the impairment and the impact of foreign currency movements, there was no other change to goodwill in 2005. See note 9. In 2004 and 2003, the carrying amount of goodwill was CHF 156 million.

8. OTHER INTANGIBLE ASSETS

Excluding the intangible assets of CHF 1 million recognized from the recording of a minimum pension liability, in 2005, the carrying value of the Textile Effects Business' other intangible assets of CHF 45 million was determined to be fully impaired. See note 9. In 2004, other intangible assets consisted of developed technology with a gross carrying amount of CHF 69 million (2003: CHF 69 million), accumulated amortization of CHF 23 million (2003: CHF 21 million) and net carrying amount of CHF 46 million (2003: CHF 48 million).

9. IMPAIRMENT CHARGES

The global textiles market has been characterized in recent years by fierce competitive conditions, accelerated by the ending in 2005 of the WTO quotas that resulted in a rapid shift of the global textile business to Asia. This resulted in a marked decline in sales and profitability levels during 2005. The Company implemented various cost reduction initiatives aimed at restoring profitability levels. Despite these initiatives, profit levels remained low and triggered the testing of certain of the Business' long-lived assets for impairment of their carrying values compared to their underlying fair values.

The Textile Effects Business' fair value was estimated using an expected discounted cash flow technique that incorporated various probability-weighted scenarios including estimates as to future market growth, revenue development and profitability levels for the Textile Effects Business. The resulting overall fair value was determined to be lower than carrying value. Consequently, an impairment charge for property, plant and equipment, goodwill and intangibles of CHF 583 million was recorded in the 2005 Combined Statement of Income.

10. RESTRUCTURING CHARGES

PROJECT SHAPE

In 2004, the Company implemented the restructuring plan Project Shape to improve the Company's profitability. For the Textile Effects Business, the focus of Project Shape was acceleration of the shift of the Textile Effects Business' focus to growth regions in Asia by reducing its European presence. The project involved the closure of a manufacturing facility in the U.K. and the rightsizing of plants in Europe and the U.S. with an expected reduction of approximately 420 positions. The cost of the program was initially expected to be CHF 64 million before tax comprised of employee severance costs of CHF 46 million, asset impairment charges of CHF 14 million and other costs of CHF 4 million. During 2004, Textile Effects Business costs for Project Shape totalled CHF 31 million before tax comprised of employee severance costs of CHF 9 million, asset impairment charges of CHF 21 million and other costs of CHF 1 million. The CHF 14 million expected asset impairment charges are net of anticipated gains on assets to be disposed of in connection with the project. The planned project completion date is 2007.

During 2005, the Company expanded the scope of Project Shape and also accelerated the timing of certain elements of the project. This impacted Textile Effects Business with expected costs increasing by CHF 37 million from CHF 64 million to CHF 101 million before taxes. Of these amounts, employee severance costs increased by CHF 32 million from CHF 46 million to CHF 78 million due to the number of reductions of positions having increased by 40 to approximately 460. In addition, Project Shape asset impairment charges increased by CHF 3 million from CHF 14 million to CHF 17 million net of expected sales proceeds and other costs increased by CHF 1 million from CHF 4 million to CHF 5 million. During 2005, Textile Effects Business costs for Project Shape totalled CHF 43 million before tax comprised of employee severance costs of CHF 32 million, asset impairment charges of CHF 9 million and other costs of CHF 2 million.

11. OTHER ASSETS

	December 31,		
	2005	2004	2003
Deferred income taxes	22	9	11
Loans to third parties, net of allowance	4	1	3
Other	4	5	7
Total	30	15	21

Loans to third parties, net of allowance is shown after deducting allowances for potential credit losses of CHF 0 million in 2005, CHF 5 million in 2004 and CHF 4 million in 2003. Additions to the allowance charged to costs and expenses were CHF 4 million in 2003 and CHF 1 million in 2004. In 2005, the entire allowance of CHF 5 million was eliminated and credited to costs and expenses as the loan was deemed to be fully collectible.

12. ACCRUALS AND OTHER CURRENT LIABILITIES

	December 31,		
	2005	2004	2003
Payroll and employee benefits	34	33	37
Taxes other than income taxes	14	8	4
Rebates	5	6	7
Retirement and postemployment benefits	6	4	4
Deferred income taxes	37	35	27
Other accruals	34	28	26
Total	130	114	105

13. SHORT-TERM DEBT

	December 31,					
	2005		2004		2003	
	Average interest rate	Balance	Average interest rate	Balance	Average interest rate	Balance
Loans	4.7%	10	4.6%	12	4.4%	14

Short-term debt of CHF 10 million, CHF 12 million and CHF 14 million as of December 31, 2005, 2004 and 2003, respectively, represent the short-term debt held by legal entities that are exclusive to the Textile Effects Business. These entities had unused bank credit lines of CHF 13 million at December 31, 2005.

14. INCOME TAXES

Income before income taxes and minority interest for 2005, 2004 and 2003 consists of the following:

	December 31,		
	2005	2004	2003
Domestic	(172)	(2)	34
Foreign	(397)	3	(1)
Total income before taxes and minority interest	(569)	1	33

The provision (benefit) for income taxes in 2005, 2004 and 2003 consists of the following:

	December 31,		
	2005	2004	2003
Domestic	0	3	14
Foreign	(6)	(14)	(4)
Total current provision	(6)	(11)	10
Domestic	(18)	(3)	(4)
Foreign	22	19	11
Total deferred provision	4	16	7
Total provision for income taxes	(2)	5	17

The provision (benefit) for income taxes attributable to the Textile Effects Business has been computed on the separate return method. This included an allocation of the Ciba Specialty Chemicals group tax provision which was computed using an effective tax rate excluding the effects of items that would be specifically related to the Textile Effects Segment had they filed a separate income tax return in the years presented. The specifically identified items were then added to the allocated tax expense to compute the full allocable tax expense for the Textile Effects Business. The effective tax rate applicable to the Textile Effects Segment of Ciba Specialty Chemicals was approximately 0 percent in 2005, 365 percent in 2004 and 50 percent in 2003. Any resulting income taxes payable or receivable which have been paid or received by the Company on behalf of the Textile Effects Business are included in the line "Net investment of Ciba Specialty Chemicals Holding Inc. in the net assets of the Textile Effects Business" in the Combined Balance Sheets.

The Company is incorporated in Switzerland, but operates in numerous countries with differing tax laws and rates. Consequently, a substantial portion of the Company's income before income taxes and provision for income taxes are generated outside of Switzerland. The Textile Effects Business' expected tax rate consists of the weighted average rate applicable in the countries in which the Textile Effects Business operates. The main factors causing the effective tax rate to differ from the expected tax rate are:

	2005	2004	2003
		(in percent)	
Expected tax rate	30	32	30
Amortization non-deductible	0	129	5
Change in valuation allowance	(19)	45	0
Other	(11)	159	15
Effective tax rate	0	365	50

"Amortization non-deductible" represents the tax effect of other intangible assets amortization expenses that are not deductible for tax purposes.

"Changes in valuation allowance" reflect increases in valuation allowances for deferred tax assets arising in certain jurisdictions, recorded to reduce the deferred tax assets to an amount that more likely than not will not be realized in the future.

In 2005, "Other" includes (11) percent for the permanently non tax-deductible elements of the impairments incurred in connection with the Textile Effects Business.

In 2004, "Other" includes 158 percent for tax reserves for pending tax cases in Europe and 1 percent for a variety of allocated permanent differences, none of which are individually significant.

In 2003, "Other" includes 10 percent for tax reserves related to a pending tax case in Europe and 5 percent for a variety of allocated permanent differences, none of which are individually significant.

The significant components of activities that gave rise to deferred tax assets and liabilities on the balance sheet at December 31, 2005, 2004 and 2003, were as follows:

	December 31,		
	2005	**2004**	**2003**
Deferred tax assets			
Pensions and other employee compensation	6	5	6
Inventory	5	7	3
Property, plant and equipment	81	0	0
Tax loss carryforwards	10	0	0
Other	16	25	24
Gross deferred tax assets	118	37	33
Valuation allowance	(107)	(1)	0
Net deferred tax assets	11	36	33
Deferred tax liabilities			
Property, plant and equipment	0	(20)	(7)
Other	(20)	(23)	(16)
Gross deferred tax liabilities	(20)	(43)	(23)
Net deferred tax assets (liabilities)	(9)	(7)	10

Deferred income taxes have been allocated based on the underlying allocation of the assets and liabilities of the Textile Effects Business in each of the Company's tax paying jurisdictions in which Textile Effects Business operates. The deferred tax assets and liabilities allocated to the Textile Effects Business therefore reflect the amounts that would have been reported by the Textile Effects Business if it had reported its operations on separate tax returns in the various jurisdictions where it has operations.

Valuation allowances have been established against deferred tax assets mainly on property, plant and equipment that arose as a result of the impairment of the Textile Effects Segment of Ciba Specialty Chemicals in 2005. These valuation allowances were required due to lack of sufficient profitability in those jurisdictions in order to realize these assets. In management's opinion, the remainder of the deferred tax assets are realizable on a more likely than not basis using the criteria described in SFAS 109. "Accounting for Income Taxes".

The Textile Effects Business had available tax loss carry-forwards of approximately CHF 43 million, which expire in 2013.

15. OTHER LIABILITIES

	December 31,		
	2005	**2004**	**2003**
Environmental remediation and compliance	6	6	6
Retirement and postemployment benefits	60	53	52
Other	9	11	11
Total	75	70	69

16. STOCK-BASED COMPENSATION

Effective July 1, 2005, the Company adopted SFAS No. 123(R) "Share-Based Payment". The use of the modified prospective transition method did not have a material impact because the Company had elected to adopt the fair value method of accounting for its stock-based compensation plans in 2003 in accordance with SFAS No. 123 "Accounting for Stock-Based Compensation" under the modified prospective method. Descriptions of the terms of the Company's stock-based plans are presented in the following paragraphs.

LTIP—The Company has a Long-Term Incentive Plan (LTIP), which grants restricted shares of common stock of the Company to senior management and other key employees. Shares granted are restricted from being sold by the grantee for three years from the date of grant. The details that follow include awards granted to employees of the Textile Effects Segment of the Company. Details of awards granted to group services employees of the Company to be transferred to the Textile Effects Business who are not currently employees of the Textile Effects Segment are not available as the individual employees transferring have not been identified. However, the number of awards granted to such individuals, when identified, is not expected to be significant.

In connection with the LTIP 2005, the Company granted 20 243 restricted shares of common stock with a market value of CHF 78.60 per share to 90 participants and recognized compensation expense of approximately CHF 1.6 million in 2005 related to these grants. In connection with the LTIP 2004, the Company granted 20 655 restricted shares of common stock with a market value at date of grant of CHF 95.30 per share to 97 participants and recognized compensation expense of approximately CHF 2.0 million in 2004 related to these grants. In connection with the LTIP 2003, the Company granted 20 878 restricted shares of common stock with a market value at date of grant of CHF 85.30

per share to 95 participants and recognized compensation expense of approximately CHF 1.8 million in 2003 related to these grants.

The LTIP until 2005 also provided for the granting of options to participants to purchase shares of common stock. In 2005 no options were granted. In 2004 and 2003, option grants were made with vesting and the right to exercise occurring over three years and expiration dates of ten years from date of grant. Options granted in years prior to 2003 expire either five years or ten years after the date of grant. As a result of the adoption by the Company in 2003 of SFAS No. 123, compensation expense of approximately CHF 0.1 million in 2005 (CHF 0.1 million in 2004 and CHF 0.3 million in 2003) was recorded comprising the vested portion of current year and prior year awards.

MAB—The Company has a "Mitarbeiterbeteiligungsplan" (Employee Investment Plan) which grants annually to most employees in Switzerland (as an enhancement to their pension plan arrangements) the right to purchase 25 shares of common stock at CHF 15 per share (as long as the share price is not greater than CHF 200, at which level the Employee Investment Plan price may be adjusted). The rights vest at the grant date and become exercisable at the date of the employees' retirement or termination. In 2005, the Company granted 27 900 rights (2004: 27 100, 2003: 28 350) to employees of the Textile Effects Segment of the Company. Compensation expense is recorded in the year the rights are granted and, in 2005, CHF 2.3 million (2004: CHF 2.2 million; 2003: CHF 2.0 million) of compensation expense was recorded under this plan.

17. RETIREMENT BENEFITS

PENSION PLANS

The Company sponsors pension and other postretirement benefits in accordance with the applicable laws and customs in the countries where the Company operates in which employees of the Textile Effects Business participate. The Company has both contributory and non-contributory defined benefit and defined contribution plans.

DEFINED CONTRIBUTION PENSION PLANS

In countries in which Textile Effects Business employees are covered by defined contribution plans, employer contributions charged to operating income were CHF 2 million in 2005, CHF 2 million in 2004 and CHF 2 million in 2003.

DEFINED BENEFIT PENSION PLANS

With the exception of certain employees in Germany, the majority of the Textile Effects Business employees participate in the Company's pension plans which includes other non Textile Effects Business employees of the Company. As the Company does not perform separate actuarial calculations on a reporting segment or group service unit level for its pension plans, insufficient actuarial information for purposes of plan asset allocations is available. Accordingly, these plans are treated herein as multi-employer plans. The Company has allocated pension costs and contributions of each plan to the Textile Effects Business based on an allocation of total headcount of the Textile Effects Business employees covered by any such plan in relation to total headcount of all Company employees covered by that plan. Annual contributions to these plans made by the Company and charged to the Textile Effects Business during 2005, 2004 and 2003 were CHF 22 million, CHF 21 million and CHF 13 million, respectively.

Assets and liabilities included in the Combined Balance Sheets related to the multi-employer plans that reflect the difference between pension expense and actual contributions for the Textile Effects Business employees are as follows: "Prepaid pension costs" of approximately CHF 47 million in 2005, (CHF 42 million in 2004; CHF 28 million in 2003) and pension liability in 2005 of CHF 3 million (CHF 2 million in 2004; CHF 2 million in 2003) included in "Accruals and other current liabilities".

DEFINED BENEFIT PENSION PLANS—GERMANY

Certain employees of the Textile Effects Business in Germany participate in a Company defined benefit pension plans that is exclusive only to the employees of the Textile Effects Business. This plan provides benefits based on employees' years of service and levels of compensation.

This pension plan, as is local practice, is not funded by the Company or the participants. The Textile Effects Business charges operating income for employee benefits earned in each period with a corresponding increase in pension liability. Benefit payments made each period to retirees are charged against this liability.

Each year the projected benefit obligation ("PBO"), which is the present value of projected future benefits payable to current plan participants allowing for estimated future employee compensation increases, is calculated for the plan. The measurement date for this pension plans is December 31st for each year presented.

The following table provides a reconciliation from beginning of year to end of year of the changes in PBO and the changes in the fair value of plan assets, as well as the PBO funded status of the plans:

	December 31,		
	2005	2004	2003
Change in benefit obligation (PBO)			
PBO, beginning of year	49	49	45
Service cost	1	1	1
Interest cost	3	3	3
Actuarial (gain) loss	7	0	0
Benefits paid	(2)	(2)	(2)
Foreign currency translation	1	(2)	2
PBO, end of year	59	49	49
Change in plan assets			
Fair value plan assets, beginning of year	0	0	0
Employer contributions	2	2	2
Benefits paid	(2)	(2)	(2)
Fair value plan assets, end of year	0	0	0
PBO funded status	(59)	(49)	(49)

The table below shows the accumulated benefit obligation ("ABO") and related liabilities recorded at December 31, 2005, 2004 and 2003 for this plan:

	December 31,		
	2005	2004	2003
Accumulated benefit obligation	54	46	45
Accrued pension liability	49	47	46
Liability recognized in excess of ABO	(5)	1	1

In 2005, the existing unfunded ABO exceeds the amount of accrued pension liability, therefore a minimum pension liability is required. For 2004 and 2003, the accrued pension liability exceeds the amount of existing unfunded ABO, therefore no additional minimum pension liability is required. The table below shows the components of the additional minimum pension liability as of December 31, 2005:

	December 31, 2005
Unrecognized prior service cost recorded as intangible asset	1
Recorded as other comprehensive income	4
Additional minimum pension liability	5
Accrued pension liability already recorded	49
ABO status	54

The components of net pension expense for the plan during the years ended December 31, 2005, 2004 and 2003 were:

	Year ended December 31,		
	2005	2004	2003
Service cost	1	1	1
Interest cost	3	3	3
Total net pension expense	4	4	4

The weighted average key actuarial assumptions used to determine the Company's pension benefit obligations were as follows:

	December 31,		
	2005	2004	2003
Discount (interest) rate	4.5%	5.5%	5.5%
Rate of increase in compensation levels	2.5%	2.5%	2.5%

The weighted average key actuarial assumptions used to determine the Company's net periodic benefit cost were as follows:

	December 31,		
	2005	2004	2003
Discount (interest) rate	5.5%	5.5%	6.0%
Rate of increase in compensation levels	2.5%	2.5%	3.0%

OTHER POSTRETIREMENT BENEFITS

The employees of the Textile Effects Business participate in postretirement benefit plans of the Company. The Textile Effects Business' share of the net liability for other postretirement benefits at December 31, 2005 was CHF 6 million (December 31, 2004: CHF 5 million; December 31, 2003: CHF 5 million) resulting principally from the postretirement healthcare plan in the United States. The

Company's other postretirement plans in which employees of the Textile Effects Business participate in are not funded by the Company, did not require significant amounts to be recognized in the Combined Statements of Income for 2005, 2004 or 2003, and are not expected to require significant future annual benefit payments.

18. RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH CIBA SPECIALTY CHEMICALS AND ITS AFFILIATES

The Textile Effects Business, as part of Ciba Specialty Chemicals, receives services from the Company. These services relate mainly to the provision of wide area network ("WAN") access and enterprise resource planning ("ERP") systems used in the Textile Effects Business operations. Services received are charged at cost of providing the service and are allocated based mainly on number of users. Costs charged to the Textile Effects Business in 2005 were approximately CHF 25 million, CHF 25 million in 2004 and CHF 24 million in 2003, and have been included in "Selling, general and administrative" in the Combined Statements of Income.

The Textile Effects Business provides manufacturing services to and receives these services from other operating units of the Company. These arrangements comprise both toll manufacturing and supply services. Toll manufacturing services comprise the provision of raw materials by one operating unit to be processed by another operating unit of the Company. The recipient of the processed goods is charged a service fee for the cost of manufacture, including labor and manufacturing overhead costs incurred. Supply arrangements involve the provision of complete manufactured items from one operating unit to another. Costs charged comprise raw material costs, labor and manufacturing overhead costs incurred. Net manufacturing services received by the Textile Effects Business were approximately CHF 27 million in 2005, CHF 21 million in 2004 and CHF 16 million in 2003.

Corporate headquarters expenses have been allocated to the Textile Effects Business based on the Textile Effects Business sales relative to the Company's, as an approximation of costs of usage of these services. These activities principally include corporate accounting and treasury, legal and environmental advisory, corporate technology, human resources, corporate communications, internal audit and executive committee activities. Costs allocated to the Textile Effects Business in 2005 were CHF 15 million; CHF 15 million in 2004, and CHF 18 million in 2003. These costs are included in "Selling, general and administrative" in the Combined Statements of Income.

Management believes these allocations to be reasonable under the circumstances, however, there can be no assurances that such allocations will be indicative of future net costs related to these services or what these net costs would have been had the Textile Effects Business been a separate stand-alone entity during the periods covered.

Legal entities of the Textile Effects Business had short-term debt with the Company of:

	December 31,					
	2005		2004		2003	
	Average interest rate	Balance	Average interest rate	Balance	Average interest rate	Balance
Short-term debt—from related parties	4.4%	10	3.0%	2	3.0%	6

19. COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

The Company leases certain facilities and equipment under operating leases. The future minimum lease commitments under fixed term leases that are attributable to the Textile Effects Business are: 2006 CHF 1 million; 2007 CHF 0 million; 2008 CHF 0 million; 2008 CHF 0 million, 2009 CHF 0 million, and thereafter CHF 0 million.

PURCHASE COMMITMENTS

The Textile Effects Business has incurred in the ordinary course of business various purchase commitments for materials, supplies and items of permanent investment. In the aggregate, these commitments are not in excess of current market prices and reflect normal business operations.

GUARANTEES

In the normal course of business, the Company has provided certain trade and other guarantees to third parties. The Company estimates that the fair value of these guarantees is not material and does not expect to incur losses as a result of these guarantees. As of December 31, 2005, guarantees provided by the Company and attributed to the Textile Effects Business that have been provided to third parties for indebtedness of others were approximately CHF 1 million, of which CHF 0 million expire in 2006 and CHF 1 million expire in 2007 or thereafter.

CONTINGENCIES

The Textile Effects Business operates in countries where political, economic, social, and legal developments could have an impact on the operational activities. The effects of such risks on the Textile Effects Business' results, which arise during the normal course of business, are not foreseeable and are therefore not included in the accompanying financial statements.

In the ordinary course of business, the Company is involved in lawsuits, claims, investigations and proceedings, including product liability, commercial, environmental, and health and safety matters that could affect the Textile Effects Business. There are no such matters pending that the Company expects to be material in relation to the Textile Effects Business' business, financial position or results of operations.

ENVIRONMENTAL

The specialty chemicals business is highly regulated in many countries. A number of increasingly stringent regulations govern the manufacturing processes used and the waste and emissions created by the Company, including the Textile Effects Business, in all of its jurisdictions in which it does business and will create significant ongoing costs for the Company, including the Textile Effects Business. In addition, many of the Company's manufacturing sites, including the Textile Effects Business, have an extended history of industrial, chemical and other processes.

The Company continues to participate in environmental assessments and clean-ups at a number of locations, including operating facilities, previously owned facilities and United States Superfund sites. The Company accrues for all known environmental liabilities for remediation costs when a clean-up program becomes probable and costs can be reasonably estimated. The Textile Effects Business has been allocated environmental liabilities related to manufacturing sites that are exclusive to the Textile Effects Business and where the land is also owned by the Textile Effects Business. The contractual terms of the pending sale of the Textile Effects Business (see note 1) stipulate that the Company will retain responsibility at certain sites and under certain circumstances for environmental claims related to the operations of the Textile Effects Business that have occurred prior to the sale date.

The Company believes that the environmental reserves allocated to the Textile Effects Business are sufficient to meet all currently known environmental claims and contingencies at those subsidiary locations and manufacturing sites that are exclusive to the Textile Effects Business and where the land is also owned by the Textile Effects Business. Because of the nature of the Company's operations, including the Textile Effects Business, however, there can be no assurance that significant costs and liabilities from ongoing or past operations will not be incurred in the future. In addition, environmental clean-up periods are protracted in length and environmental costs in future periods are subject to changes in environmental remediation regulations.

20. VALUATION AND QUALIFYING ACCOUNTS

	December 31,		
	2005	2004	2003
Allowance for doubtful accounts			
Balance at beginning of year	37	40	41
Additions charged to cost and expenses	17	12	13
Deductions credited to cost and expenses	(10)	(3)	(4)
Use of allowance and other, net	(7)	(11)	(9)
Currency adjustments	2	(1)	(1)
Balance at end of year	39	37	40

	December 31,		
	2005	2004	2003
Allowance for obsolete and slow moving inventory			
Balance at beginning of year	11	13	15
Additions charged to cost and expenses	6	4	5
Deductions credited to cost and expenses	(5)	(5)	(5)
Use of allowance and other, net	(2)	(1)	(1)
Currency adjustments	1	0	(1)
Balance at end of year	11	11	13

	December 31,		
	2005	2004	2003
Deferred income tax valuation allowance			
Balance at beginning of year	1	0	0
Additions charged to cost and expenses	106	1	0
Balance at end of year	107	1	0

21. GEOGRAPHIC DATA

	Year ended December 31,		
	2005	2004	2003
Net sales to customers			
Europe			
Germany	71	81	85
United Kingdom	27	31	36
Italy	89	101	110
France	44	44	48
Rest of European Union(i)	128	132	142
Switzerland	11	11	14
Rest of Europe	72	79	78
Total Europe	442	479	513
Americas			
United States of America	153	174	205
Canada	7	7	9
Central America	56	58	71
South America	88	78	83
Total Americas	304	317	368
Asia Pacific			
Japan	31	32	36
Region China	190	176	170
Rest of Asia	254	230	240
Australia and New Zealand	13	16	16
Africa and Middle East	42	43	52
Total Asia Pacific	530	497	514
Total net sales to customers	1,276	1,293	1,395

Net sales to customers are based on final destination of the sale.

	December 31,		
	2005	2004	2003
Long-lived assets			
Europe			
Germany	0	60	56
Italy	0	0	1
Rest of European Union(i)	0	1	1
Switzerland	0	154	161
Rest of Europe	0	1	0
Total Europe	0	216	219
Americas			
United States of America	0	1	1
Central America	0	22	24
South America	0	2	2
Total Americas	0	25	27
Asia Pacific			
Region China	0	33	37
Rest of Asia	0	13	9
Total Asia Pacific	0	46	46
Total long-lived assets	0	287	292

Long lived assets represent property, plant and equipment, net and are shown by location of the assets.

(i) Rest of European Union includes all other European Union member countries as of December 31, 2005, that are not specifically listed.

TEXTILE EFFECTS BUSINESS OF CIBA SPECIALTY CHEMICALS HOLDING INC.

COMBINED STATEMENTS OF INCOME

Unaudited

(in millions of Swiss francs)

	Notes	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Net sales		661	643
Cost of goods sold		(453)	(464)
Gross profit		208	179
Selling, general and administrative		(147)	(145)
Research and development		(16)	(15)
Amortization of other intangible assets	8	0	(1)
Restructuring and impairment charges	9, 10	(27)	(23)
Operating income (loss)		18	(5)
Other financial (expense) income, net		(2)	6
Income before income taxes and minority interest		16	1
Provision for income taxes	13	(6)	(2)
Minority interest		2	(1)
Net income (loss)		12	(2)

TEXTILE EFFECTS BUSINESS OF CIBA SPECIALTY CHEMICALS HOLDING INC.

COMBINED BALANCE SHEETS

Unaudited

(in millions of Swiss francs)

	Notes	June 30, 2006	December 31, 2005
Assets			
Current assets			
Cash and cash equivalents		10	6
Accounts receivable, net	4	268	245
Inventories	5	316	309
Prepaid and other current assets		22	24
Prepaid pension costs	16	41	47
Deferred income taxes		6	8
Total current assets		663	639
Property, plant and equipment, net	6	0	0
Goodwill	7	0	0
Other intangible assets, net	8	1	1
Other assets	11	26	30
Total assets		690	670
Liabilities and net investment			
Current liabilities			
Accounts payable		122	115
Short-term debt		1	10
Short-term debt from related parties		6	10
Accruals and other current liabilities	12	119	130
Total current liabilities		248	265
Deferred income taxes		0	2
Other liabilities	14	71	75
Total liabilities		319	342
Minority interest		1	2
Net investment of Ciba Specialty Chemicals Holding Inc. in the net assets of the Textile Effects Business		370	326
Total liabilities and net investment		690	670

TEXTILE EFFECTS BUSINESS OF CIBA SPECIALTY CHEMICALS HOLDING INC.

COMBINED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Swiss francs)

	Six Months Ended	
	June 30, 2006	**June 30, 2005**
Cash flows from operating activities		
Net income (loss)	12	(2)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	0	22
Deferred income taxes	(6)	7
Restructuring and impairment charges	27	23
Minority interest and other non-cash items, net	0	(23)
Changes in operating assets and liabilities:		
Accounts receivable, net	(31)	(33)
Inventories	(13)	(27)
Accounts payable	10	(2)
Other operating assets and liabilities	(20)	7
Net cash used in operating activities	(21)	(28)
Cash flows from investing activities		
Capital expenditures	(9)	(5)
Loans and other long-term assets	3	(6)
Net cash used in investing activities	(6)	(11)
Cash flows from financing activities		
Decrease in short-term debt, net	(9)	0
(Decrease) increase in short-term debt from related parties, net	(3)	1
Net contributions by Ciba Specialty Chemicals Holding Inc.	44	37
Net cash provided by financing activities	32	38
Effect of exchange rate changes on cash and cash equivalents	(1)	0
Net increase (decrease) in cash and cash equivalents	4	(1)
Cash and cash equivalents, beginning of year	6	3
Cash and cash equivalents, end of period	10	2

NOTES TO COMBINED FINANCIAL STATEMENTS

Unaudited

(in millions of Swiss francs)

1. BASIS OF PRESENTATION

CIBA SPECIALTY CHEMICALS HOLDING INC.

Ciba Specialty Chemicals Holding Inc. and its consolidated subsidiaries ("Ciba Specialty Chemicals" or the "Company") is a global leader in the discovery and manufacture of innovative specialty chemicals that provide color, performance and care for plastics, coatings, textile, paper and other products. The Company's products and services are also used to provide clean water and to treat water streams in industrial and municipal applications.

TEXTILE EFFECTS SEGMENT

The segment Textile Effects ("Segment") serves the textile industry, offering dyes and chemicals, services and integrated solutions to customers along the whole textile value chain. The Segment's products include dyes and chemicals for dyeing and printing of almost all textile fibres, optical brighteners and textile finishing products for protection and easy-care. Services offered by the Segment include color matching via the internet and technical consultancy regarding textile color and effects management for international brand houses and retailers.

DIVESTMENT OF TEXTILE EFFECTS BUSINESS

On February 20, 2006, the Company announced that it had entered into a definitive agreement to sell the Textile Effects Business of Ciba Specialty Chemicals Holding Inc. (the "Textile Effects Business") to Huntsman Corporation ("Huntsman") for a consideration of CHF 322 million in cash and assumed debt. The Textile Effects Business comprises substantially all of the operations of the Textile Effects Segment. The assets and liabilities allocated to the Textile Effects Business include certain assets and liabilities of the Textile Effects Segment as well as certain assets and liabilities of the Company's other reporting segments and group service units that have been assigned to the Textile Effects Business in accordance with the Share and Asset Purchase Agreement ("SAPA") between the Company and Huntsman, dated February 18, 2006.

The sale of the Textile Effects Business to Huntsman was completed on June 30, 2006.

BASIS OF COMBINATION AND PRESENTATION

The accompanying combined financial statements of the Textile Effects Business include the assets, liabilities, results of operations and cash flows attributable to the Textile Effects Business of Ciba Specialty Chemicals Holding Inc. and its wholly owned and majority owned subsidiaries. These financial statements have been derived from the Company's interim consolidated financial statements in 2005 and 2006 and have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

The Textile Effects Business comprises substantially all of the operations of the Textile Effects Segment of Ciba Specialty Chemicals. The Textile Effects Business is not a separate legal entity and has not been separately financed. The majority of the operations of the Textile Effects Business is operated in legal entities that include some of the business operations of the Company's other operating segments. For these legal entities, the assets, liabilities, results of operations and cash flows that relate to the operations, affairs and conduct of the Textile Effects Business operations have been allocated to the Textile Effects Business according to the procedures and methods described below and are included in the accompanying combined financial statements. The assets, liabilities, results of operations and cash flows of legal entities that are exclusive to the Textile Effects Business, in which Ciba Specialty Chemicals has a controlling interest, have been consolidated and any applicable minority interest has been recorded. The position "Net investment of Ciba Specialty Chemicals Holding Inc. in the net assets of the Textile Effects Business", included in the accompanying combined financial statements, represents the residual net investment in the Textile Effects Business contributed by Ciba Specialty Chemicals. All significant intercompany accounts and transactions between Textile Effects Business operating units have been eliminated in the combined financial statements.

Assets and liabilities have been attributed in the Combined Balance Sheets according to the SAPA. Accordingly, property, plant and equipment, accounts receivable and inventories that are directly related to the Textile Effects Business as defined in the SAPA have been directly attributed in the Combined Balance Sheets. Prepaid and other current assets, other assets, accounts payable, accruals and other current liabilities and other liabilities include amounts specifically identified as they relate to the Textile Effects Business operations and also include allocations of shared assets and liabilities that have been allocated to the Textile Effects Business primarily according to sales and headcount keys.

"Restructuring and impairment charges" includes restructuring expenses that were incurred by the Company and are directly related to the Textile Effects Business operations. These costs were not previously charged to the Textile Effects Segment of the Company.

Allocations of corporate headquarters expenses have been included in the line "Selling, general and administrative" in the Combined Statements of Income. These expenses relate to corporate accounting and treasury, legal and environmental advisory, corporate technology, human resources, corporate communications, internal audit and executive committee activities. Costs have been allocated based on the Textile Effects Business sales in each year relative to the Company's.

"Other financial expense, net" includes allocations of treasury and risk management costs that were not previously charged to the Company's reporting segments. These costs have been allocated based on the relative sales and raw material costs of the Textile Effects Business to the Company's.

The Textile Effects Business, as part of Ciba Specialty Chemicals, receives IT infrastructure services rendered by the Company. These services relate mainly to the provision of wide area network ("WAN") and enterprise resource planning ("ERP") systems. The services are charged at cost of providing the service primarily according to number of users. The Textile Effects Segment also provides manufacturing services to and receives manufacturing services from the Company. Costs charged between the Textile Effects Segment and the Company are for the costs of providing the services and include total manufacturing cost incurred by the operating unit providing the service.

Taxes are closely linked with the legal structure of the Company and are affected by operational and non-operational transactions. The provision (benefit) for income taxes attributable to the Textile Effects Business has been computed on the separate return method. This included an allocation of the Ciba Specialty Chemicals group tax provision which was computed using an effective tax rate excluding the effects of items that would be specifically related to the Textile Effects Segment had they filed a separate income tax return in the years presented. The specifically identified items were then added to the allocated tax expense to compute the full allocable tax expense for the Textile Effects Business. Income taxes payable or receivable that would have been incurred by the Company on behalf of the Textile Effects Business are included in the line "Net investment of Ciba Specialty Chemicals Holding Inc in the net assets of the Textile Effects Business" in the Combined Balance Sheets. Deferred income taxes have been allocated based on the underlying allocation of the assets and liabilities of the Textile Effects Business in each of the tax paying jurisdictions in which Textile Effects Business operates.

Management of the Company believes the allocations reflected in the combined financial statements are reasonable under the circumstances, however, the costs allocated to the Textile Effects Business are not necessarily indicative of the costs that would have been incurred if the Textile Effects Business had incurred these costs and performed these functions as a stand-alone entity. In addition, there can be no assurances that such allocations will necessarily be indicative of the future results of operations or what the financial position and results of operations of the Textile Effects Business would have been had it been a separate stand-alone entity during the periods covered.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management of the Company 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. Although these estimates are based on management of the Company's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOREIGN CURRENCY TRANSLATION

The Textile Effects Business' financial statements are prepared in millions of Swiss francs (CHF million). For most operations outside of Switzerland, where the functional currency is the local currency, income, expense and cash flows are translated at average exchange rates during the period, and assets and liabilities are translated at period-end exchange rates. The translation adjustments are included as a component of other comprehensive income in "Net investment of Ciba Specialty Chemicals Holding Inc. in the net assets of the Textile Effects Business" in the accompanying Combined Balance Sheets. The financial statements of subsidiaries that operate in economic environments that are highly inflationary maintain financial information for reporting purposes in U.S. dollars or Swiss francs and include gains and losses from translation in income. For foreign currency transactions, changes in exchange rates that arise between transaction, reporting and settlement dates resulted in both realized and unrealized exchange gains and losses.

CASH EQUIVALENTS

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at their net realizable value after deducting an allowance for doubtful accounts. Such deductions reflect either specific cases or estimates based on historical incurred losses. This also includes an allowance for country specific transfer risks.

INVENTORIES

The Company values its inventories at the lower of cost, determined principally on a first-in, first-out (FIFO) method, or market. Costs include all costs of production, including applicable portions of plant overhead. Allowances are made for obsolete and slow-moving inventory.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets ranging from approximately 20 to 50 years for buildings, 5 to 20 years for machinery and equipment, and 3 to 10 years for office furniture and fixtures and other equipment. The Company assesses its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. In such cases, if the sum of the asset's expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the excess of the asset's carrying amount over its fair value.

Property, plant and equipment acquired through finance lease arrangements are recorded as assets at the lesser of the present value of the minimum future lease payments or their fair value at the date of acquisition and depreciated over the useful life of the asset or, if the lease does not provide for the transfer of ownership of the assets to the Company, the lease term if it is shorter than the useful life of the asset. The corresponding obligation is recorded as a liability in the Combined Balance Sheets.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill acquired in business combinations is capitalized at acquisition cost and annually evaluated at the reporting unit level for impairment using a two-step impairment test. In the first step, the book value of the reporting unit's assets, including goodwill and other intangibles, and liabilities (the "net assets") is compared to the fair value of the reporting unit. If the fair value of the reporting unit exceeds the book value of its net assets, goodwill is deemed not impaired and the second step is not required. If, however, the fair value of the reporting unit is less than the book value of its net assets, the second step is required to measure the amount of impairment loss, if any.

In the second step, the current fair value of the reporting unit is allocated to all of its tangible assets, other intangible assets (including unrecognized intangible assets but excluding goodwill) and liabilities (the "assets and liabilities"). This fair value allocation to the assets and liabilities is made as if the reporting unit had been acquired as of the impairment testing date in a business combination and the fair value of the reporting unit was the price that would have been paid to acquire the reporting unit. The excess, if any, of the total current fair value of the reporting unit over the sum of the individual fair values assigned to its assets and liabilities is considered to be the current implied fair value of goodwill of the reporting unit. If the book value of the reporting unit's goodwill exceeds this implied fair value of goodwill, that excess is an impairment loss, which is recorded as a component of operating income in the Combined Statements of Income. If the book value of the reporting unit's goodwill is less than the implied fair value of goodwill, goodwill is not impaired.

During 2005, the Company completed the annual impairment test of goodwill and determined that the Textile Effects Business reported goodwill was fully impaired. See note 7.

OTHER INTANGIBLE ASSETS

Purchased identifiable intangible assets ("other intangible assets") are capitalized at acquisition cost. Other intangible assets with finite lives are amortized on a straight-line basis over the estimated periods that such assets are expected to contribute to the cash flows of the Company (5 to 36 years). Other intangible assets with indefinite lives are not amortized.

The Company assesses other intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. For such assets that are tested for impairment, if the sum of the asset's expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the excess of the asset's carrying amount over its fair value.

Other intangible assets with indefinite lives are reviewed annually for impairment, or on an interim basis if indications of possible impairment are present. For such assets, if the carrying amount exceeds its fair value, an impairment loss is recognized in an amount equal to that difference. Intangible assets with indefinite lives are reviewed annually to determine whether their useful lives remain indefinite. If such an asset is then determined to have a finite life, the asset is tested for impairment. The carrying amount of the intangible asset after recognition of an impairment charge, if any, is then amortized over the asset's remaining useful life and further accounted for in the same manner as other intangible assets with finite lives.

FINANCIAL INSTRUMENTS

The Company determined that, due to their short-term nature, financial assets and liabilities such as cash equivalents, accounts receivable, accounts payable and short-term debt, have book values approximating their fair values.

REVENUE RECOGNITION

Revenue is recognized upon shipment of goods to customers. Provisions for discounts and rebates to customers, product returns and other adjustments are provided for in the same period the related sales are recorded.

INCOME TAXES

The provision for income taxes has been determined using the asset and liability approach and consists of allocated income taxes currently paid or payable to taxing authorities in the jurisdictions in which the Textile Effects Business operates plus allocated deferred taxes for the current year. Deferred taxes represent the estimated future tax consequences of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a future tax benefit will not be realized.

RESTRUCTURING

Costs associated with exit or disposal activities that do not involve discontinued operations are included in "Restructuring and impairment charges" in the Textile Effects Business' Combined Statements of Income. Liabilities for costs associated with exit or disposal activities are initially recognized and measured at fair value in the period in which the liability is incurred. Liabilities for one-time termination benefits provided to employees that are involuntarily terminated are recognized and measured at their fair value at the communication date unless the employees are required to render service beyond a minimum retention period in order to receive the termination benefits. If employees are required to render service beyond a minimum retention period, liabilities for the termination benefits are measured initially at the communication date based on the fair value of the liabilities as of the termination date and recognized ratably over the future service period.

Liabilities for costs to terminate contracts before the end of their term are recognized and measured at their fair value when the contracts are terminated. Liabilities for costs that continue to be incurred under contracts for their remaining term without economic benefit to the Company are recognized and measured at their fair value when the Company ceases using the rights conveyed by the contracts. Liabilities for other costs associated with exit or disposal activities are recognized and measured at their fair value in the periods in which the liabilities are incurred.

ENVIRONMENTAL COMPLIANCE AND EXPENDITURES

The measurement of environmental liabilities is based on an evaluation of currently available facts with respect to each individual site and considers factors such as existing technology, presently enacted laws and regulations and prior experience in remediation of contaminated sites. Environmental operations and maintenance as well as remediation costs are accrued when environmental assessments and the need for remediation are probable and the costs can be reasonably estimated. The estimated liability is not discounted. Actual costs to be incurred at identified sites in future periods may vary from the estimates given the inherent uncertainties in evaluating environmental exposures.

NEW ACCOUNTING STANDARDS

There were no new accounting standards issued by the FASB or other authoritative standard setters that became effective in either 2005 or 2006 that had a material effect on the Textile Effects Business' financial statements.

3. EXCHANGE RATES OF PRINCIPAL CURRENCIES

	Statement of income average rates		Balance sheet period-end rates	
	Six Months Ended			
	June 30, 2006	June 30, 2005	June 30, 2006	December 31, 2005
1 U.S. dollar (USD)	1.27	1.20	1.24	1.31
1 British pound (GBP)	2.27	2.25	2.26	2.28
1 Euro (EUR)	1.56	1.55	1.56	1.56
100 Japanese yen (JPY)	1.10	1.13	1.07	1.12

4. ACCOUNTS RECEIVABLE

	June 30, 2006	December 31, 2005
Accounts receivable	301	284
Allowance for doubtful accounts	(33)	(39)
Total	268	245

5. INVENTORIES

	June 30, 2006	December 31, 2005
Raw materials	46	44
Work in process and finished goods	270	265
Total	316	309

Work in process and finished goods are shown after deducting allowances for obsolete, slow-moving and lower of cost or market adjustments of CHF 7 million at June 30, 2006, and CHF 11 million at December 31, 2005.

6. PROPERTY, PLANT AND EQUIPMENT

In 2005, the carrying value of the Textile Effects Business' fixed assets of CHF million was determined to be fully impaired. See note 9.

Depreciation expenses recorded in the Combined Statements of Income for the six months ended June 30, 2005 was CHF 26 million. No depreciation expense was recorded in 2006.

7. GOODWILL

During 2005, there was no change to the carrying amounts of goodwill of CHF 164 million at June 30, 2005, other than the impact of foreign currency movements between these periods. At December 31, 2005 the entire carrying amount of the Textile Effects Business' goodwill balance of CHF 161 million was determined to be fully impaired and was written off during that period. See note 9.

8. OTHER INTANGIBLE ASSETS

In 2005, intangible assets consisted of developed technology with a gross carrying amount of CHF 71 million at June 2005 (March 2005 CHF 69 million), and accumulated amortization of CHF 24 million at June 2005 (March 2005 CHF 23 million). At December 31, 2005 the intangible asset was determined to be fully impaired and the entire carrying amount was written off. See note 9. In 2006, a balance of CHF 1 million has been recognized from the recording of a minimum pension liability.

9. IMPAIRMENT CHARGES

The global textiles market has been characterized in recent years by fierce competitive conditions, accelerated by the ending in 2005 of the WTO quotas that resulted in a rapid shift of the global textile business to Asia. This resulted in a marked decline in sales and profitability levels during 2005. The Company implemented various cost reduction initiatives aimed at restoring profitability levels. Despite these initiatives, profit levels remained low and triggered the testing of certain of the Business' long-lived assets for impairment of their carrying values compared to their underlying fair values.

The Textile Effects Business' fair value was estimated using an expected discounted cash flow technique that incorporated various probability-weighted scenarios including estimates as to future market growth, revenue development and profitability levels for the Textile Effects Business. The resulting overall fair value was determined to be lower than carrying value. Consequently, an impairment charge for property, plant and equipment, goodwill and intangibles of CHF 583 million was recorded in the 2005 Combined Statement of Income.

10. RESTRUCTURING CHARGES

PROJECT SHAPE

In 2004, the Company implemented the restructuring plan Project Shape to improve the Company's profitability. For the Textile Effects Business, the focus of Project Shape was acceleration of the shift of the Textile Effects Business' focus to growth regions in Asia by reducing its European presence. The project involved the closure of a manufacturing facility in the U.K. and the rightsizing of plants in Europe and the U.S. with an expected reduction of approximately 420 positions. The cost of the program was initially expected to be CHF 64 million before tax comprised of employee severance costs of CHF 46, asset impairment charges of CHF 14 million and other costs of 4 CHF million. The planned project completion date is 2007.

During 2005, the Company expanded the scope of Project Shape and also accelerated the timing of certain elements of the project. This impacted Textile Effects Business with expected costs increasing by CHF 37 million from CHF 64 million to CHF 101 million before taxes. Of these amounts, employee severance costs increased by CHF 32 million from CHF 46 million to CHF 78 million due to the number of reductions of positions having increased by 40 to approximately 460. In addition, Project Shape asset impairment charges increased by CHF 3 million from CHF 14 million to CHF 17 million net of expected sales proceeds and other costs increased by CHF 1 million from CHF 4 million to CHF 5 million.

Amounts charged to "Restructuring and impairment charges" in the Combined Statements of Income in 2006 and 2005 consisted of:

	Six Months Ended	
	June 30, 2006	June 30, 2005
Severance	11	20
Asset impairment	13	3
Other costs	3	0
Total	27	23

11. OTHER ASSETS

	June 30, 2006	December 31, 2005
Deferred income taxes	20	22
Loans to third parties, net of allowance	2	4
Other	4	4
Total	26	30

12. ACCRUALS AND OTHER CURRENT LIABILITIES

	June 30, 2006	December 31, 2005
Payroll and employee benefits	35	34
Taxes other than income taxes	16	14
Rebates	4	5
Retirement and postemployment benefits	4	6
Deferred income taxes	29	37
Other accruals	31	34
Total	119	130

13. INCOME TAXES

Factors causing the effective income tax provision to differ from the statutory rates at June 30, 2006 included an increase in valuation allowance of CHF 2 million (June 2005 CHF 0 million) in connection with the restructuring and impairment charges incurred in 2006 and allocated permanent differences of CHF 2 million (June 2005, CHF 2 million).

14. OTHER LIABILITIES

	June 30, 2006	December 31, 2005
Environmental remediation and compliance	6	6
Retirement and postemployment benefits	56	60
Other	9	9
Total	71	75

15. OTHER COMPREHENSIVE INCOME

The after-tax components of other comprehensive income were:

	June 30, 2006	Dcember 31, 2005
Currency translation adjustment	40	52
Minimum pension liability, net of tax	(3)	(3)
Accumulated other comprehensive income	37	49

16. RETIREMENT BENEFITS

DEFINED BENEFIT PENSION PLANS

With the exception of certain employees in Germany, the majority of the Textile Effects Business employees participate in the Company's pension plans which includes other non Textile Effects Business employees of the Company. As the Company does not perform separate actuarial calculations on a reporting segment or group service unit level for its pension plans, insufficient actuarial information for purposes of plan asset allocations is available. Accordingly, these plans are treated herein as multi-employer plans. The Company has allocated pension costs and contributions of each plan to the Textile Effects Business based on an allocation of total headcount of the Textile Effects Business employees covered by any such plan in relation to total headcount of all Company employees covered by that plan. Annual contributions to these plans made by the Company and charged to the Textile Effects Business during June 30, 2006 and 2005 were CHF 9 million and CHF 11 million, respectively.

DEFINED BENEFIT PENSION PLANS-GERMANY

Certain employees of the Textile Effects Business in Germany participate in a Company defined benefit pension plans that is exclusive only to the employees of the Textile Effects Business.

The components of net pension expense were:

	Six Months Ended	
	June 30, 2006	**June 30, 2005**
Service cost	1	1
Interest cost	1	1
Total net pension expense	2	2

During the six months ended June 30, 2006 and 2005, the Company contributed CHF 1 million and CHF 1 million, respectively.

OTHER POSTRETIREMENT BENEFITS

The employees of the Textile Effects Business participate in postretirement benefit plans of the Company. The Company's other postretirement plans in which employees of the Textile Effects Business participate in are not funded by the Company, did not require significant amounts to be recognized in the Combined Statements of Income for the periods ended June 30, 2006 and 2005, and are not expected to require significant future annual benefit payments.

17. COMMITMENTS AND CONTINGENCIES

CONTINGENCIES

The Textile Effects Business operates in countries where political, economic, social, and legal developments could have an impact on the operational activities. The effects of such risks on the Textile Effects Business' results, which arise during the normal course of business, are not foreseeable and are therefore not included in the accompanying financial statements.

In the ordinary course of business, the Company is involved in lawsuits, claims, investigations and proceedings, including product liability, commercial, environmental, and health and safety matters that could affect the Textile Effects Business. There are no such matters pending that the Company expects to be material in relation to the Textile Effects Business' business, financial position or results of operations.

ENVIRONMENTAL

The specialty chemicals business is highly regulated in many countries. A number of increasingly stringent regulations govern the manufacturing processes used and the waste and emissions created by the Company, including the Textile Effects Business, in all of its jurisdictions in which it does business and will create significant ongoing costs for the Company, including the Textile Effects Business. In addition, many of the Company's manufacturing sites, including the Textile Effects Business, have an extended history of industrial, chemical and other processes.

The Company continues to participate in environmental assessments and clean-ups at a number of locations, including operating facilities, previously owned facilities and United States Superfund sites. The Company accrues for all known environmental liabilities for remediation costs when a clean-up program becomes probable and costs can be reasonably estimated. The Textile Effects Business has been allocated environmental liabilities related to manufacturing sites that are exclusive to the Textile Effects Business and where the land is also owned by the Textile Effects Business. The contractual terms of the sale of the Textile Effects Business (see note 1) stipulate that, in general, the Company will retain responsibility for environmental claims relating to the operations of the Textile Effects Business prior to June 30, 2006. With respect to any such environmental liabilities, the Company's obligation to indemnify is unlimited in amount and to a period of fifteen years following June 30, 2006, except for off-site releases, liabilities resulting from non-compliance, and certain risk management assessments and upgrades to buildings at one specific site, which are unlimited in time.

The Company believes that the environmental reserves allocated to the Textile Effects Business are sufficient to meet all currently known environmental claims and contingencies at those subsidiary locations and manufacturing sites that are exclusive to the Textile Effects Business and where the land is also owned by the Textile Effects Business. Because of the nature of the Company's operations, including the Textile Effects Business, however, there can be no assurance that significant costs and liabilities from ongoing or past operations will not be incurred in the future. In addition, environmental clean-up periods are protracted in length and environmental costs in future periods are subject to changes in environmental remediation regulations.

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