CONSTAR INTERNATIONAL INC
Form 10-Q/A
May 15, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A

Amendment No. 1

(Mark One)

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

For Quarterly Period Ended September 30, 2007

OR

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

For the transition period from to

Commission file number 000-16496

Constar International Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-1889304**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**
One Crown Way, Philadelphia, PA	**19154**
(Address of principal executive offices)	**(Zip Code)**

(215) 552-3700

(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ¨ No x

As of November 12, 2007, 12,603,760 shares of the Registrant s Common Stock were outstanding.

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EXPLANATORY NOTE

Restatement of Prior Period Financial Statements

With the filing of this Form 10-Q/A, we are filing amendments to our Quarterly Reports on Form 10-Q for the quarterly periods ended September 30, 2007 and 2006, as originally filed with the Securities and Exchange Commission (SEC), to restate our unaudited consolidated financial statements and related financial information for those periods for the effects of the restatement.

Background of the Restatement

In connection with preparing its financial statements for the year ended December 31, 2007 in connection with the Company s 2007 Annual Report on Form 10-K, the Company discovered errors related to: (i) the improper capitalization of certain property, plant and equipment acquired in 2003 and prior periods; (ii) an understatement of depreciation expense for certain property, plant and equipment acquired in 2003 and prior periods; and (iii) improperly accounting for landlord incentives which understated current liabilities and property, plant and equipment. In addition, the Company corrected the classification within stockholders deficit for the recording of a previously disclosed error in recording a deferred tax asset valuation allowance related to a minimum pension liability.

The Company s restatement of prior period financial statements also includes adjustments for other previously identified errors that the Company corrected in 2007 or 2006, the periods in which they became known rather than in the periods in which they originated, because the amounts of such errors, individually and in the aggregate, were not material to the Company s financial statements for the affected periods. In this restatement, the Company is recording those corrections in the periods in which each error originated. Such adjustments primarily relate to (i) reducing an overstatement of pension expense related to a foreign benefit plan, (ii) establishing a liability for the portion of an advanced payment received prior to 2002, which represents the contractually agreed upon minimum purchase commitment, (iii) the understatement of accrued interest expense at December 31, 2006, and (iv) reversing depreciation expense for a facility exited in 2004.

Items Amended by this Form 10Q/A

This Amendment No. 1 to our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 as originally filed with the SEC on November 14, 2007 (the Original Form 10-Q) amends certain sections of the Original Form 10-Q to reflect the restatement of our unaudited consolidated financial statements and related disclosures as of September 30, 2007 and December 31, 2006 and for the three and nine months ended September 30, 2007 and 2006 as described below. With this Form 10-Q/A, we are amending:

- Part I, Item 1 Unaudited Financial Statements;
- Part I, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations;
- Part I, Item 4 Controls and Procedures; and
- Part II, Item 6 Exhibits.

The adjustments made as a result of the restatement are more fully described in Note 2 to our condensed consolidated financial statements included in Part 1, Item 1 Unaudited Financial Statements of this Form 10 Q/A.

This Form 10-Q/A makes only the changes described above and does not modify or update such items in any other respect, or any other items or disclosures presented in the Original Form 10-Q. Further, this Form 10-Q/A does not reflect any other events occurring after November 14, 2007, the date we filed the Original Form 10-Q. Accordingly, this Form 10-Q/A should be read in conjunction with our filings made with the SEC since the filing date of the Original Form 10-Q, including our Current Reports on Form 8-K and our Annual Report on Form 10-K for the year ended December 31, 2007.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	Restated September 30, 2007	Restated December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 8,359	$ 19,370
Accounts receivable, net	81,469	61,101
Accounts receivable - related party	475	856
Inventories, net	69,419	60,198
Prepaid expenses and other current assets	21,400	28,907
Deferred income taxes	2,179	2,257
Current assets of discontinued operations	435	11,602
Total current assets	183,736	184,291
Property, plant and equipment, net	147,318	145,085
Goodwill	148,813	148,813
Other assets	18,586	21,722
Non-current assets of discontinued operations		1,286
Total assets	$ 498,453	$ 501,197
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current Liabilities:		
Short-term debt	$ 10,855	$
Accounts payable	83,476	82,611
Accounts payable - related party	555	950
Accrued expenses and other current liabilities	41,586	33,421
Current liabilities of discontinued operations	887	8,680
Total current liabilities	137,359	125,662
Long-term debt	393,667	393,466
Pension and postretirement liabilities	15,572	19,143
Deferred income taxes	2,179	2,257
Other liabilities	8,404	8,117
Non-current liabilities of discontinued operations	947	2,144
Total liabilities	558,128	550,789

Commitments and contingent liabilities (Note 10)

Stockholders deficit:		
Preferred Stock, $.01 par value - none issued or outstanding at September 30, 2007 and December 31, 2006		
Common stock, $.01 par value - 12,873 shares and 12,809 shares issued, 12,605 shares and 12,576 shares outstanding at September 30, 2007 and December 31, 2006, respectively	125	125
Additional paid-in capital	276,236	275,754
Accumulated other comprehensive loss	(19,957)	(22,378)
Treasury stock, at cost - 268 and 233 shares at September 30, 2007 and December 31, 2006, respectively	(881)	(704)
Accumulated deficit	(315,198)	(302,389)
Total stockholders deficit	(59,675)	(49,592)
Total liabilities and stockholders deficit	$ 498,453	$ 501,197

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	Restated 2007	Restated 2006	Restated 2007	Restated 2006
Net customer sales	$ 224,694	$ 245,913	$ 675,502	$ 716,808
Net affiliate sales	1,133	818	3,245	3,030
Net sales	225,827	246,731	678,747	719,838
Cost of products sold, excluding depreciation	202,407	218,857	612,441	640,401
Depreciation	6,410	7,754	21,942	24,497
Gross profit	17,010	20,120	44,364	54,940
Selling and administrative expenses	6,594	6,362	18,459	21,280
Research and technology expenses	1,627	1,671	5,397	4,697
Asset impairment charges				870
Provision for restructuring	32	366	3,167	591
Total operating expenses	8,253	8,399	27,023	27,438
Operating income	8,757	11,721	17,341	27,502
Interest expense	(10,435)	(10,422)	(30,854)	(31,072)
Other income (expense), net	165	476	1,090	1,427
Income (loss) from continuing operations before income taxes	(1,513)	1,775	(12,423)	(2,143)
Provision for income taxes				
Income (loss) from continuing operations	(1,513)	1,775	(12,423)	(2,143)
Income (loss) from discontinued operations, net of taxes	347	(621)	292	(882)
Net income (loss)	$ (1,166)	$ 1,154	$ (12,131)	$ (3,025)
Basic earnings (loss) per common share:				
Continuing operations	$ (0.12)	$ 0.15	$ (1.01)	$ (0.18)
Discontinued operations	0.03	(0.05)	0.02	(0.07)
Net income (loss) per share	$ (0.09)	$ 0.10	$ (1.00)	$ (0.25)
Diluted earnings (loss) per common share:				
Continuing operations	$ (0.12)	$ 0.14	$ (1.01)	$ (0.18)
Discontinued operations	0.03	(0.05)	0.02	(0.07)

Net income (loss) per share	$	(0.09)	$	0.09	$	(1.00)	$	(0.25)
Weighted average common shares outstanding:								
Basic		12,315		12,235		12,306		12,214
Diluted		12,315		12,589		12,306		12,214

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine months ended September 30, Restated 2007	Nine months ended September 30, Restated 2006
Cash flows from operating activities:		
Net loss	$ (12,131)	$ (3,025)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	23,371	26,732
Asset impairment charges		870
Bad debt expense	581	153
Restructuring and other exit activities		
Stock-based compensation	573	709
Deferred income taxes		(107)
(Gain) loss on disposal of assets	(432)	91
Minority interest	(1,893)	(257)
Other operating activities, net	534	(1,157)
Changes in operating assets and liabilities:		
Accounts receivable	(8,003)	(5,062)
Inventories	(8,159)	11,937
Prepaid expenses and other current assets	8,590	3,389
Accounts payable and accrued expenses	(2,571)	4,927
Change in outstanding book overdrafts	(140)	(934)
Pension and postretirement benefits	(1,293)	(1,344)
Net cash provided by (used in) operating activities	(973)	36,922
Cash flows from investing activities:		
Purchases of property, plant and equipment	(23,590)	(17,240)
Proceeds from the sale of property, plant and equipment	2,808	145
Net cash used in investing activities	(20,782)	(17,095)
Cash flows from financing activities:		
Proceeds from Revolver loan	588,599	616,767
Repayment of Revolver loan	(577,744)	(627,220)
Costs associated with debt financing	(385)	(320)
Repayment of other debt		(1,540)
Net cash provided by (used in) financing activities	10,470	(12,313)
Effect of exchange rate changes on cash and cash equivalents	274	286
Net increase (decrease) in cash and cash equivalents	(11,011)	7,800
Cash and cash equivalents at beginning of period	19,370	9,663

Cash and cash equivalents at end of period	$ 8,359	$ 17,463

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS DEFICIT

(In thousands)

(Unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive loss	Treasury Stock	Unearned Compensation	Accumulated Deficit	Total Stockholders Deficit
Balance, December 31, 2005 (as previously reported)	**$ 125**	**$ 276,331**	**$ (27,441)**	**$ (457)**	**$ (1,384)**	**$ (289,034)**	**$ (41,860)**
Restatement adjustments (Note 2)			(3,420)			(3,094)	(6,514)
Balance, December 31, 2005 (restated)	**$ 125**	**$ 276,331**	**$ (30,861)**	**$ (457)**	**$ (1,384)**	**$ (292,128)**	**$ (48,374)**
Net loss (restated)						(3,025)	(3,025)
Foreign currency translation adjustments			1,808				1,808
Revaluation of cash flow hedge			761				761
Comprehensive loss (restated)							(456)
Reclassification upon adoption of SFAS 123R		(1,384)			1,384		
Forfeitures of restricted stock				(114)			(114)
Stock-based compensation		537					537
Balance, September 30, 2006 (restated)	**$ 125**	**$ 275,484**	**$ (28,292)**	**$ (571)**	**$**	**$ (295,153)**	**$ (48,407)**
Balance, December 31, 2006 (restated)	**$ 125**	**$ 275,754**	**$ (22,378)**	**$ (704)**	**$**	**$ (302,389)**	**$ (49,592)**
Net loss (restated)						(12,131)	(12,131)
Foreign currency translation adjustments			1,497				1,497
Reclassification of foreign currency translation adjustments			(110)				(110)
Amortization of prior service cost			(237)				(237)
Amortization of actuarial net loss			2,603				2,603
Revaluation of cash flow hedge			(1,332)				(1,332)
Comprehensive loss (restated)							(9,710)
Cumulative effect adjustment due to the adoption of FIN 48						(678)	(678)
Treasury stock purchased				(177)			(177)
Stock-based compensation		482					482
Balance, September 30, 2007 (restated)	**$ 125**	**$ 276,236**	**$ (19,957)**	**$ (881)**	**$**	**$ (315,198)**	**$ (59,675)**

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CONSTAR INTERNATIONAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollar and share amounts in thousands, unless otherwise noted)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and in accordance with Securities and Exchange Commission (SEC) regulations for interim financial reporting. In the opinion of management, these consolidated financial statements contain all adjustments of a normal and recurring nature necessary to provide a fair statement of the financial position, results of operations and cash flows for the periods presented. Results for interim periods should not be considered indicative of results for a full year. These financial statements should be read in conjunction with the Company s 2006 annual Consolidated Financial Statements and notes, as restated, contained in Constar International Inc. s (the Company or Constar) Annual Report on Form 10-K for the year ended December 31, 2007. The Condensed Consolidated Financial Statements include the accounts of the Company and all of its subsidiaries in which a controlling interest is maintained.

In accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144), the Company has classified the results of operations of its Turkish joint venture and its Italian operation as discontinued operations in the condensed consolidated statements of operations for all periods presented. The assets and related liabilities of these operations have been classified as assets and liabilities of discontinued operations on the condensed consolidated balance sheets. See Note 4 in Notes to Condensed Consolidated Financial Statements for further discussion of the divestitures. Unless otherwise indicated, amounts provided throughout this Form 10-Q/A relate to continuing operations only.

Reclassifications Certain reclassifications have been made to prior year balances in order to conform these balances to the current year s presentation.

2. Restatement

We have restated our consolidated balance sheets as of September 30, 2007 and December 31, 2006, our related consolidated statements of operations for the three and nine months ended September 30, 2007 and 2006 and our consolidated statements of cash flow and stockholders deficit for the nine months ended September 30, 2007 and 2006, to correct errors in such consolidated financial statements.

In connection with preparing its financial statements for the year ended December 31, 2007, the Company discovered errors related to: (i) the improper capitalization of certain property, plant and equipment acquired in 2003 and prior periods; (ii) an understatement of depreciation expense for certain property, plant and equipment acquired in 2003 and prior periods; and (iii) improperly accounting for landlord incentives which understated current liabilities and property, plant and equipment. In addition, the Company corrected the classification within stockholders deficit for the recording of a previously disclosed error in recording a deferred tax asset valuation allowance related to a minimum pension liability.

The Company s restatement of prior period financial statements also includes adjustments for other previously identified errors that the Company corrected in 2007 or 2006, the periods in which they became known rather than in the periods in which they originated, because the amounts of such errors, individually and in the aggregate, were not material to the Company s financial statements for the affected periods. In this restatement, the Company is recording those corrections in the periods in which each error originated. Such adjustments primarily relate to (i) reducing an overstatement of pension expense related to a foreign benefit plan, (ii) establishing a liability for the portion of an advanced payment received prior to 2002, which represents the contractually agreed upon minimum purchase commitment, (iii) the understatement of accrued interest expense at December 31, 2006, and (iv) reversing depreciation expense for a facility exited in 2004.

The impact of the restatement on periods prior to January 1, 2006 is reflected as an increase of $3.1 million to beginning accumulated deficit and an increase of $3.4 million to beginning accumulated other comprehensive loss.

The following tables present the effects of the restatement adjustments on the Company s consolidated balance sheets as of September 30, 2007 and December 31, 2006, its consolidated statements of operations for the three and nine months ended September 30, 2007 and 2006 and its consolidated statements of cash flow for the nine months ended September 30, 2007 and 2006.

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Condensed Consolidated Balance Sheet

(in thousands)

	September 30, 2007		
	As Previously Reported (a)	Adjustments	As Restated
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 8,359	$	$ 8,359
Accounts receivable, net	81,469		81,469
Accounts receivable - related party	475		475
Inventories, net	69,419		69,419
Prepaid expenses and other current assets	21,400		21,400
Deferred income taxes	2,179		2,179
Current assets of discontinued operations	435		435
Total current assets	183,736		183,736
Property, plant and equipment, net	150,677	(553) (b)	147,318
		(2,806) (c)	
Goodwill	148,813		148,813
Other assets	18,586		18,586
Non-current assets of discontinued operations			
Total assets	$ 501,812	$ (3,359)	$ 498,453
LIABILITIES AND STOCKHOLDERS DEFICIT			
Current Liabilities:			
Short-term debt	$ 10,855	$	$ 10,855
Accounts payable	83,476		83,476
Accounts payable - related party	555		555
Accrued expenses and other current liabilities	40,335	1,251 (d)	41,586
Current liabilities of discontinued operations	887		887
Total current liabilities	136,108	1,251	137,359
Long-term debt, net of debt discount	393,667		393,667
Pension and postretirement liabilities	15,572		15,572
Deferred income taxes	2,179		2,179
Other liabilities	8,404		8,404
Non-current liabilities of discontinued operations	947		947
Total liabilities	556,877	1,251	558,128
Commitments and contingent liabilities			
Stockholders deficit:			
Preferred stock, $.01 par value - none issued or outstanding at December 31, 2006			
Common stock, $.01 par value - 12,873 shares issued, 12,605 shares outstanding at September 30, 2007	125		125
Additional paid-in capital	276,236		276,236
Accumulated other comprehensive loss, net of tax	(16,537)	(3,420) (e)	(19,957)

Treasury stock, at cost - 268 shares at September 30, 2007	(881)		(881)
Accumulated deficit	(314,008)	(1,190) (f)	(315,198)
Total stockholders deficit	(55,065)	(4,610)	(59,675)
Total liabilities and stockholders deficit	$ 501,812	$ (3,359)	$ 498,453

(a) Certain reclassifications have been made to the as previously reported balances to conform to the 2007 10-K presentation. Certain assets have been reclassified from Inventory ($23,014) to Prepaid expenses and other current assets $17,307 and Other assets $5,707.

(b) Adjustments to reverse $2,196 of improperly capitalized assets and to reclassify $1,643 of landlord incentives to current liabilities.

(c) Adjustment to increase accumulated depreciation for certain plant, property and equipment acquired in 2003 and prior periods.

(d) Adjustments to (i) reclassify $1,643 of landlord incentives from property, plant and equipment and (ii) recognize accumulated amortization of $392 of landlord incentives.

(e) Adjustment to correct the classification within stockholders deficit for a previously disclosed error in recording a deferred tax asset valuation allowance related to a minimum pension liability.

(f) Adjustment to accumulated deficit represents: (i) the cumulative effect ($1,333) of the errors in periods prior to 2006 having been reflected as an opening retained earnings adjustment and (ii) the net effect of the first nine months of 2007 restatement adjustments resulting in income of $143.

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Consolidated Balance Sheet

(in thousands)

	December 31, 2006		
	As Previously Reported (g)	**Adjustments**	**As Restated**
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 19,370	$	$ 19,370
Accounts receivable, net	61,101		61,101
Accounts receivable - related party	856		856
Inventories, net	60,198		60,198
Prepaid expenses and other current assets	28,522	385 (h)	28,907
Deferred income taxes	2,257		2,257
Current assets of discontinued operations	11,602		11,602
Total current assets	183,906	385	184,291
Property, plant and equipment, net	148,235	(553) (i)	145,085
		(2,597) (j)	
Goodwill	148,813		148,813
Other assets	21,722		21,722
Non-current assets of discontinued operations	1,286		1,286
Total assets	$ 503,962	$ (2,765)	$ 501,197
LIABILITIES AND STOCKHOLDERS DEFICIT			
Current Liabilities:			
Accounts payable	$ 82,611	$	$ 82,611
Accounts payable - related party	950		950
Accrued expenses and other current liabilities	31,433	1,988 (k)	33,421
Current liabilities of discontinued operations	8,680		8,680
Total current liabilities	123,674	1,988	125,662
Long-term debt, net of debt discount	393,466		393,466
Pension and postretirement liabilities	19,143		19,143
Deferred income taxes	2,257		2,257
Other liabilities	8,117		8,117
Non-current liabilities of discontinued operations	2,144		2,144
Total liabilities	548,801	1,988	550,789
Commitments and contingent liabilities			
Stockholders deficit:			
Preferred stock, $.01 par value - none issued or outstanding at December 31, 2006			
Common stock, $.01 par value - 12,809 shares issued, 12,576 outstanding at December 31, 2006	125		125
Additional paid-in capital	275,754		275,754
Accumulated other comprehensive loss, net of tax	(18,958)	(3,420) (l)	(22,378)
Treasury stock, at cost - 233 shares at December 31,2006	(704)		(704)

Accumulated deficit	(301,056)	(1,333) (m)	(302,389)
Total stockholders deficit	(44,839)	(4,753)	(49,592)
Total liabilities and stockholders deficit	$ 503,962	$ (2,765)	$ 501,197

(g) Certain reclassifications have been made to the as previously reported balances to conform to the 2007 10-K presentation. Certain assets have been reclassified from Inventory ($23,157) to Prepaid expenses and other current assets $17,248 and Other assets $5,909.

(h) Adjustment to reduce pension expense related to a foreign benefit plan

(i) Adjustments to reverse $2,196 of improperly capitalized assets and to reclassify $1,643 of landlord incentives to current liabilities.

(j) Adjustment to increase accumulated depreciation for certain plant, property and equipment acquired in 2003 and prior periods.

(k) Adjustments to: (i) reclassify $1,643 of landlord incentives from property, plant and equipment; (ii) recognize amortization of $245 landlord incentives; (iii) recognize $433 of an advance payment received prior to 2002 for a minimum purchase commitment and (iv) properly recognize $157 of accrued interest.

(l) Adjustment to correct the classification within stockholders deficit for a previously disclosed error in recording a deferred tax asset valuation allowance related to a minimum pension liability.

(m) Adjustment to reduce accumulated deficit represents: (i) the effect of 2006 statement of operations adjustments resulting in income of $1,761 and (ii) the cumulative effect ($3,094) of the errors in periods prior to 2006 having been reflected as an opening retained earnings adjustment.

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Condensed Consolidated Statement of Operations

(in thousands)

	For the three months ended September 30, 2007		
	As Previously Reported	Adjustments	As Restated
Net customer sales	$ 224,694	$	$ 224,694
Net affiliate sales	1,133		1,133
Net sales	225,827		225,827
Cost of products sold, excluding depreciation	202,456	(49) (n)	202,407
Depreciation	6,340	70 (o)	6,410
Gross profit	17,031	(21)	17,010
Selling and administrative expenses	6,594		6,594
Research and technology expenses	1,627		1,627
Asset impairment charges			
Provision for restructuring	32		32
Total operating expenses	8,253		8,253
Operating income	8,778	(21)	8,757
Interest expense	(10,435)		(10,435)
Other income, net	165		165
Loss from continuing operations before income taxes	(1,492)	(21)	(1,513)
Benefit from income taxes			
Loss from continuing operations	(1,492)	(21)	(1,513)
Loss from discontinued operations, net of taxes	347		347
Net loss	$ (1,145)	$ (21)	$ (1,166)
Basic and diluted loss per common share:			
Continuing operations	$ (0.12)	$ (0.00)	$ (0.12)
Discontinued operations	0.03		0.03
Net loss per share	$ (0.09)	$ (0.00)	$ (0.09)
Weighted average common shares outstanding:			
Basic and diluted	12,315		12,315

(n) Adjustment to recognize the landlord incentives ($49) earned in 2007.

(o) Adjustment to record depreciation expense associated with certain plant, property and equipment and leasehold improvements acquired in 2003 and prior periods.

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Condensed Consolidated Statement of Operations

(in thousands)

	For the three months ended September 30, 2006		
	As Previously Reported	Adjustments	As Restated
Net customer sales	$ 245,913	$	$ 245,913
Net affiliate sales	818		818
Net sales	246,731		246,731
Cost of products sold, excluding depreciation	218,933	(76) (p)	218,857
Depreciation	7,449	305 (q)	7,754
Gross profit	20,349	(229)	20,120
Selling and administrative expenses	6,362		6,362
Research and technology expenses	1,671		1,671
Asset impairment charges			
Provision for restructuring	366		366
Total operating expenses	8,399		8,399
Operating income	11,950	(229)	11,721
Interest expense	(10,422)		(10,422)
Other income, net	476		476
Loss from continuing operations before income taxes	2,004	(229)	1,775
Benefit from income taxes			
Loss from continuing operations	2,004	(229)	1,775
Loss from discontinued operations, net of taxes	(621)		(621)
Net loss	$ 1,383	$ (229)	$ 1,154
Basic loss per common share:			
Continuing operations	$ 0.16	$ (0.02)	$ 0.15
Discontinued operations	(0.05)		(0.05)
Net loss per share	$ 0.11	$ (0.02)	$ 0.08
Diluted loss per common share:			
Continuing operations	$ 0.16	$ (0.02)	$ 0.14
Discontinued operations	(0.05)		(0.05)
Net loss per share	$ 0.11	$ (0.02)	$ 0.09
Weighted average common shares outstanding:			
Basic	12,235		12,235

Diluted	12,589	12,589

(p) Adjustment to recognize the advance payment ($27) and landlord incentives ($49) earned in 2006.

(q) Adjustment to depreciation expense associated with certain plant, property and equipment and leasehold improvements acquired in 2003 and prior periods.

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Condensed Consolidated Statement of Operations

(in thousands)

	For the nine months ended September 30, 2007 As Previously Reported	Adjustments	As Restated
Net customer sales	$ 675,502	$	$ 675,502
Net affiliate sales	3,245		3,245
Net sales	678,747		678,747
Cost of products sold, excluding depreciation	613,021	(580) (r)	612,441
Depreciation	21,733	209 (s)	21,942
Gross profit	43,993	371	44,364
Selling and administrative expenses	18,074	385 (t)	18,459
Research and technology expenses	5,397		5,397
Asset impairment charges			
Provision for restructuring	3,167		3,167
Total operating expenses	26,638	385	27,023
Operating income	17,355	(14)	17,341
Interest expense	(31,011)	157 (u)	(30,854)
Other income, net	1,090		1,090
Loss from continuing operations before income taxes	(12,566)	143	(12,423)
Benefit from income taxes			
Loss from continuing operations	(12,566)	143	(12,423)
Loss from discontinued operations, net of taxes	292		292
Net loss	$ (12,274)	$ 143	$ (12,131)
Basic and diluted loss per common share:			
Continuing operations	$ (1.02)	$ 0.01	$ (1.01)
Discontinued operations	0.02		0.02
Net loss per share	$ (1.00)	$ 0.01	$ (0.99)
Weighted average common shares outstanding:			
Basic and diluted	12,306		12,306

(r) Adjustment to reverse the advance payment ($433) originally corrected in the period the error became known rather than the period the error originated as the error has now been corrected in the appropriate period through the Company s restatement and to recognize landlord incentives ($147) earned in 2007.

(s) Adjustments to recognize depreciation expense associated with certain plant, property and equipment and leasehold improvements acquired in 2003 and prior periods.

(t)

Adjustment to increase pension expense related to a foreign benefit plan originally corrected in the period the error became known rather than the period the error originated as the error has now been corrected in the appropriate period through the Company s restatement.

(u) Adjustment to reverse interest expense originally corrected in the period the error became known rather than the period the error originated as the error has now been corrected in the appropriate period through the Company s restatement.

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Condensed Consolidated Statement of Operations

(in thousands)

	For the nine months ended September 30, 2006		
	As Previously Reported	Adjustments	As Restated
Net customer sales	$ 716,808	$	$ 716,808
Net affiliate sales	3,030		3,030
Net sales	719,838		719,838
Cost of products sold, excluding depreciation	640,629	(228) (v)	640,401
Depreciation	26,035	(1,538) (w)	24,497
Gross profit	53,174	1,766	54,940
Selling and administrative expenses	21,280		21,280
Research and technology expenses	4,697		4,697
Asset impairment charges	870		870
Provision for restructuring	591		591
Total operating expenses	27,438		27,438
Operating income	25,736	1,766	27,502
Interest expense	(31,072)		(31,072)
Other income, net	1,427		1,427
Loss from continuing operations before income taxes	(3,909)	1,766	(2,143)
Benefit from income taxes			
Loss from continuing operations	(3,909)	1,766	(2,143)
Loss from discontinued operations, net of taxes	(882)		(882)
Net loss	$ (4,791)	$ 1,766	$ (3,025)
Basic and diluted loss per common share:			
Continuing operations	$ (0.32)	$ 0.14	$ (0.18)
Discontinued operations	(0.07)		(0.07)
Net loss per share	$ (0.39)	$ 0.14	$ (0.25)
Weighted average common shares outstanding:			
Basic and diluted	12,214		12,214

(v) Adjustment to recognize the advance payment ($81) and landlord incentives ($147) earned in 2006.

(w) Adjustment to (i) reverse $640 of depreciation for a facility exited in 2004 and (ii) reverse $1,813 of improper capitalization of plant, property, and equipment acquired in 2003 and prior periods, offset by the recording of depreciation expense of $915.

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Condensed Consolidated Statement of Cash Flow

(in thousands)

	For the nine months ended September 30, 2007		
	As Previously Reported (a)	Adjustments	As Restated
Cash flows from operating activities:			
Net loss	$ (12,274)	$ 143	$ (12,131)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	23,162	209 (w)	23,371
Bad debt expense	581		581
Stock-based compensation	573		573
Deferred income taxes			
(Gain) loss on disposal of assets	(432)		(432)
Minority interest	(1,893)		(1,893)
Other operating activities, net	534		534
Changes in operating assets and liabilities:			
Accounts receivable	(8,003)		(8,003)
Inventories	(8,159)		(8,159)
Prepaid expenses and other current assets	8,205	385 (x)	8,590
Accounts payable and accrued expenses	(1,834)	(737) (y)	(2,571)
Change in outstanding book overdrafts	(140)		(140)
Pension and postretirement benefits	(1,293)		(1,293)
Net cash (used in) operating activities	(973)		(973)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(23,590)		(23,590)
Proceeds from the sale of property, plant and equipment	2,808		2,808
Net cash used in investing activities	(20,782)		(20,782)
Cash flows from financing activities:			
Proceeds from Revolver loan	588,599		588,599
Repayment of Revolver loan	(577,744)		(577,744)
Costs associated with debt financing	(385)		(385)
Net cash provided by (used in) financing activities	10,470		10,470
Effect of exchange rate changes on cash and cash equivalents	274		274
Net change in cash and cash equivalents	(11,011)		(11,011)
Cash and cash equivalents at beginning of year	19,370		19,370
Cash and cash equivalents at end of year	$ 8,359	$	$ 8,359

(a) Certain reclassifications have been made to the as previously reported balances to conform to the 2007 10-K presentation. Certain assets have been reclassified from Inventory ($23,014) to Prepaid expenses and other current assets $17,307 and Other assets $5,707.

(w)

Adjustment to recognize depreciation expense associated with certain plant, property and equipment and leasehold improvements acquired in 2003 and prior periods.

(x) Adjustment to increase pension expense related to a foreign benefit plan originally corrected in the period the error became known rather than the period the error originated as the error has now been corrected in the appropriate period through the Company s restatement.

(y) Adjustment to reverse the advance payment ($433) and accrued interest ($157) originally corrected in the period the error became known rather than the period the error originated as the error has now been corrected in the appropriate period through the Company s restatement and to recognize landlord incentive ($147) earned in 2007

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Condensed Consolidated Statement of Cash Flow

(in thousands)

	For the nine months ended September 30, 2006		
	As Previously Reported (a)	Adjustments	As Restated
Cash flows from operating activities:			
Net loss	$ (4,791)	$ 1,766	$ (3,025)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	28,270	(1,538) (z)	26,732
Asset impairment charges	870		870
Bad debt expense	153		153
Stock-based compensation	709		709
Deferred income taxes	(107)		(107)
(Gain) loss on disposal of assets	91		91
Minority interest	(257)		(257)
Other operating activities, net	(1,157)		(1,157)
Changes in operating assets and liabilities:			
Accounts receivable	(5,062)		(5,062)
Inventories	11,937		11,937
Prepaid expenses and other current assets	3,389		3,389
Accounts payable and accrued expenses	5,155	(228) (aa)	4,927
Change in outstanding book overdrafts	(934)		(934)
Pension and postretirement benefits	(1,344)		(1,344)
Net cash (used in) operating activities	36,922		36,922
Cash flows from investing activities:			
Purchases of property, plant and equipment	(17,240)		(17,240)
Proceeds from the sale of property, plant and equipment	145		145
Net cash used in investing activities	(17,095)		(17,095)
Cash flows from financing activities:			
Proceeds from Revolver loan	616,767		616,767
Repayment of Revolver loan	(627,220)		(627,220)
Costs associated with debt financing	(320)		(320)
Repayment of other debt	(1,540)		(1,540)
Net cash provided by (used in) financing activities	(12,313)		(12,313)
Effect of exchange rate changes on cash and cash equivalents	286		286
Net change in cash and cash equivalents	7,800		7,800
Cash and cash equivalents at beginning of year	9,663		9,663
Cash and cash equivalents at end of year	$ 17,463	$	$ 17,463

(a) Certain reclassifications have been made to the as previously reported balances to conform to the 2007 10-K presentation. Certain assets have been reclassified from Inventory ($23,773) to Prepaid expenses and other current assets $17,756 and Other assets $6,017.

(z) Adjustment to (i) reverse $640 of depreciation for a facility exited in 2004 and (ii) reverse $1,813 of improper capitalization of plant, property, and equipment acquired in 2003 and prior periods, offset by the recording of depreciation expense of $915.

(aa) Adjustment to reflect the impact of an advance payment ($81) and landlord incentives ($147).

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3. Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. This interpretation prescribes a recognition threshold and measurement attribute of tax positions taken or expected to be taken on a tax return. The Company adopted FIN 48 at the beginning of the first quarter of 2007. Upon adoption as of January 1, 2007, the Company recorded a reserve for uncertain tax positions in the amount of $0.7 million. This adjustment was recorded as a cumulative effect adjustment to the opening balance of accumulated deficit.

The Company s policy is to recognize interest and penalties related to income tax matters in income tax expense. At September 30, 2007 the Company had $0.2 million accrued for interest and penalties.

	Examination Years Open	
Jurisdiction	**From**	**To**
United States:		
Federal	2004	2006
States (varies by jurisdictions)	2003	2006
United Kingdom	2006	2006
Netherlands	2002	2006
Italy (discontinued operation)	2002	2006
Turkey (discontinued operation)	Pending tax clearance at September 30, 2007. Received tax clearance and liquidated entity in October 2007.	

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 establishes a common definition for fair value to be applied to U.S. GAAP guidance requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS 157 to have a material impact on its results of operations or financial condition.

In February 2007, the FASB issued SFAS No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS 159 to have a material impact on its results of operations or financial condition.

In March 2007, the FASB ratified Emerging Issues Task Force Issue No. 06-10 *Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements* (EITF 06-10). EITF 06-10 provides guidance for determining a liability for the postretirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. The Company does not expect the adoption of EITF 06-10 to have a material impact on its results of operations or financial condition.

In September 2006, the FASB ratified the EITF consensus on EITF Issue No. 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements* (EITF 06-4). EITF 06-4 indicates that an employer should recognize a liability for future post-employment benefits based on the substantive agreement with the employee. EITF 06-4 is effective for fiscal years beginning after December 15, 2007. The Company does not expect the adoption of EITF 06-04 to have a material impact on its results of operations or financial condition.

4. Discontinued Operations

The supply agreement for the Company s Turkish joint venture has expired and the Company has decided to discontinue the joint venture s operations. Operations of the joint venture ceased in May 2006. The joint venture s manufacturing assets were sold in December 2006. The Company is in the process of liquidating the joint venture following the sale of the joint venture s remaining assets during the third quarter. The Company received final tax clearance from the Turkish authorities and completed the liquidation of the joint venture in October 2007.

In addition, the Company has decided to close its Italian operation since its principal customer notified the Company that the customer would not renew its contract effective January 1, 2007. In accordance with Statement of Financial Accounting

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Standards No. 52, *Foreign Currency Translation*, for the three and nine months ended September 30, 2007, the Company has reclassified $0.1 million of cumulative translation adjustments related to its Italian operation out of accumulated other comprehensive loss and into other income.

In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), the Company has classified the results of operations of its Turkish joint venture and its Italian operation as discontinued operations in the condensed consolidated statements of operations for all periods presented. The assets and related liabilities of these entities have been classified as assets and liabilities of discontinued operations on the condensed consolidated balance sheets.

The following summarizes the assets and liabilities of discontinued operations:

	September 30, 2007	December 31, 2006
Assets of Discontinued Operations:		
Accounts receivable	$ 380	$ 11,482
Inventory	3	82
Prepaid expenses and other current assets	52	38
Total current assets of discontinued operations	435	11,602
Property, plant and equipment, net		1,286
Total assets of discontinued operations	$ 435	$ 12,888
Liabilities of Discontinued Operations:		
Accounts payable and accrued expenses	$ 887	$ 8,680
Total current liabilities of discontinued operations	887	8,680
Other liabilities	743	47
Minority interests	204	2,097
Total liabilities of discontinued operations	$ 1,834	$ 10,824

The following is a summary of the results of operations for discontinued operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net sales	$ 88	$ 4,552	$ 617	$ 25,234
Income (loss) from discontinued operations before income taxes and minority interest	548	(751)	320	(1,011)
(Provision for) benefit from income taxes	(314)	130	(319)	130
Income (loss) from discontinued operations before minority interest	234	(621)	1	(881)
Minority interest	113		291	(1)
Income (loss) from discontinued operations, net of taxes	$ 347	$ (621)	$ 292	$ (882)

The Company has accrued an estimate of the total amount of restructuring charges expected to be incurred as a result of the plan to close the joint venture operations in Turkey. The following table presents an analysis of the restructuring reserve activity for the nine months ended September 30, 2007:

	Severance and Benefits
Balance at December 31, 2006	$ 115
Charges to income	238
Payments	(348)
Adjustments	(5)
Balance at September 30, 2007	$

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5. Accounts Receivable

	September 30, 2007	December 31, 2006
Trade and notes receivable	$ 71,358	$ 53,337
Less: allowance for doubtful accounts	(518)	(1,047)
Net trade and notes receivables	70,840	52,290
Value added taxes recoverable	7,122	6,451
Miscellaneous receivables	3,507	2,360
Total	$ 81,469	$ 61,101

6. Inventories

	September 30, 2007	December 31, 2006
Finished goods	$ 56,692	$ 51,237
Raw materials and supplies	12,727	8,961
Total	$ 69,419	$ 60,198

The inventory balance has been reduced by reserves for obsolete and slow-moving inventories of $1,172 and $931 as of September 30, 2007 and December 31, 2006, respectively.

7. Property, Plant and Equipment

	Restated September 30, 2007	Restated December 31, 2006
Land and improvements	$ 3,771	$ 3,806
Buildings and improvements	70,875	71,721
Machinery and equipment	602,136	584,263
	676,782	659,790
Less: accumulated depreciation and amortization	(542,490)	(525,110)
	134,292	134,680
Construction in progress	13,026	10,405
Property, Plant and Equipment, net	$ 147,318	$ 145,085

8. Debt

The Company s debt structure consists of $175.0 million of Senior Subordinated Notes due December 1, 2012 (Subordinated Notes), $220.0 million of Senior Secured Floating Rate Notes due February 15, 2012 (Senior Notes) and a $75.0 million Senior Secured Asset Based Revolving Credit Facility (Revolver Loan). The Subordinated Notes bear interest at a rate of 11.0% per annum. Interest on the Subordinated Notes is payable semi-annually on each December 1 and June 1. The Senior Notes bear interest at the rate of three-month LIBOR plus 3.375% per annum. Interest on the Senior Notes is reset quarterly.

On March 20, 2007, the Company amended the terms of the Revolver Loan. The amendment increased the aggregate lending commitments from $70.0 million to $75.0 million. The amendment also:

- Lowered interest charges by 50 basis points;
- Lowered the cost on the unused portion of the facility;
- Lowered the excess collateral availability requirement to $15.0 million from $20.0 million, and;
- Extended the scheduled termination date of the Revolver Loan from February 11, 2009 to February 11, 2012.

In order to access the additional $5.0 million of the amended Revolver Loan (from $70.0 million to $75.0 million), the Company would have to satisfy the Consolidated Fixed Charge Coverage Ratios contained in the indentures governing the Company s Senior Notes and Subordinated Notes. Currently, the Company cannot satisfy these ratios.

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Under the Revolver Loan, interest charges for loans are calculated based on a floating rate plus a fixed margin. Under the amendment, the fixed margin rates are reduced by 50 basis points to the following rates:

Monthly Available Credit	Base Rate Loans	Eurodollar Rate Loans
Greater than $50.0 million	0.50%	1.50%
Less than or equal $50.0 million and greater than $25.0 million	0.75%	1.75%
Less than or equal to $25.0 million	1.00%	2.00%

In addition, under the Revolver Loan, there was a 0.5% per annum unused commitment fee. Under the amendment, this rate is reduced as follows:

Monthly Available Credit	Fee Rate
Greater than $25.0 million	0.375%
Less than or equal to $25.0 million	0.25%

A summary of debt follows:

	September 30, 2007	December 31, 2006
Long-Term:		
Senior notes	$ 220,000	$ 220,000
Senior subordinated notes	175,000	175,000
Unamortized debt discount	(1,333)	(1,534)
	$ 393,667	$ 393,466

At September 30, 2007, there was $4.1 million of letters of credit issued under the Revolver Loan.

9. Restructuring

In response to the decision of a customer in Europe not to renew a contract related to the Company s Dutch facility, the Company evaluated restructuring options for its Dutch subsidiary. On May 22, 2007 the Company received regulatory approval of a plan to terminate the employment of approximately 40 Dutch employees (the 2007 Holland Plan). In connection with these terminations, the Company estimates that it will make net cash expenditures of approximately $2.8 million. Remaining payments of approximately $0.9 million are expected to be made in the fourth quarter of 2007. The payments principally relate to severance costs.

The following table presents an analysis of the 2007 Holland Plan s restructuring reserve activity for the nine months ended September 30, 2007:

	Severance and Benefits	Other Costs	Total
Balance at December 31, 2006	$	$	$
Charges to income	2,426	331	2,757
Payments	(1,701)	(189)	(1,890)
Adjustments	44	9	53
Balance at September 30, 2007	$ 769	$ 151	$ 920

In September 2003, the Company implemented a cost reduction initiative (2003 Plan) under which it closed facilities in Birmingham, Alabama and Reserve, Louisiana. The 2003 Plan was completed during the first quarter of 2007.

The following table presents an analysis of the 2003 Plan s restructuring reserve activity for the nine months ended September 30, 2007:

	Lease Termination Costs
Balance at December 31, 2006	$ 98
Charges to income	7
Payments	(105)
Balance at September 30, 2007	$

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The following table presents costs incurred in the Company s U.S. operations which were charged to restructuring expense in 2007:

	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2007
Equipment relocation costs	$	$ 371
Severance and benefits		32
	$	$ 403

10. Commitments and Contingencies

The Company and certain of its present and former directors, along with Crown Holdings, Inc., as well as various underwriters, have been named as defendants in a consolidated putative securities class action lawsuit filed in the United States District Court for the Eastern District of Pennsylvania, In re Constar International Inc. Securities Litigation (Master File No. 03-CV-05020). This action consolidates previous lawsuits, namely Parkside Capital LLC v. Constar International Inc et al. (Civil Action No. 03-5020), filed on September 5, 2003 and Walter Frejek v. Constar International Inc. et al. (Civil Action No. 03-5166), filed on September 15, 2003. The consolidated and amended complaint, filed June 17, 2004, generally alleges that the registration statement and prospectus for the Company s initial public offering of its common stock on November 14, 2002 contained material misrepresentations and/or omissions. Plaintiffs claim that defendants in these lawsuits violated Sections 11 and 15 of the Securities Act of 1933. Plaintiffs seek class action certification and an award of damages and litigation costs and expenses. Under the Company s charter documents, an agreement with Crown and an underwriting agreement with Crown and the underwriters, Constar has incurred certain indemnification and contribution obligations to the other defendants with respect to this lawsuit. The court denied the Company s motion to dismiss for failure to state a claim upon which relief may be granted on June 7, 2005 and the Company s answer was filed on August 8, 2005. On November 14, 2005, the Company filed a motion for judgment on the pleadings. The court denied the Company s motion on May 24, 2006. On June 8, 2006, plaintiffs filed a motion for class certification. This motion was referred to the Special Master, and on May 9, 2007, the Special Master issued a Report and Proposed Order granting the motion. Defendants filed objections to the Report and Proposed Order of the Special Master on May 17, 2007. Those objections are currently pending. The Company believes the claims in the action are without merit and intends to defend against them vigorously. The Company cannot reasonably estimate the amount of any loss that may result from this matter.

On March 13, 2007, Marshall Packaging Co. LLC brought suit in the Eastern District of Texas, C. A. No. 6:07cv118, against Amcor PET Packaging USA Inc. and Wal-Mart Stores Inc., alleging infringement of U.S. Patent No. RE 38,770, entitled Collapsible Container, and seeking injunctive relief and monetary damages (the Lawsuit). On April 5, 2007, Marshall settled with Amcor for an undisclosed amount and Amcor was subsequently dismissed from the Lawsuit. On June 29, 2007, Marshall amended its Complaint to add Premium Waters, Inc., a Wal-Mart supplier, as a defendant. The Company is a supplier of certain containers to Premium, and Premium is claiming indemnity from the Company with respect to some as yet unknown portion of the containers that Premium sells to Wal-Mart. The Company does not know which or how many Constar containers are included among those accused in the Lawsuit. The Company does not believe that it is subject to liability in connection with the patent at issue and intends to vigorously defend against any attempt to implicate its containers in the Lawsuit.

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11. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consisted of the following:

	Restated September 30, 2007	Restated December 31, 2006
Postretirement liabilities, net of tax	$ (24,441)	$ (26,807)
Cash-flow hedge, net of tax	820	2,152
Foreign currency translation adjustments	3,664	2,277
Accumulated other comprehensive loss	$ (19,957)	$ (22,378)

The components of comprehensive loss are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	Restated 2007	Restated 2006	Restated 2007	Restated 2006
Net income (loss)	$ (1,166)	$ 1,154	$ (12,131)	$ (3,025)
Foreign currency translation adjustments	1,024	251	1,387	1,808
Postretirement amortization	788		2,366	
Revaluation of cash flow hedge	(2,627)	(2,761)	(1,332)	761
Comprehensive loss	$ (1,981)	$ (1,356)	$ (9,710)	$ (456)

12. Stock-Based Compensation

On May 30, 2007, the Company s stockholders approved the 2007 Stock-Based Incentive Compensation Plan (the 2007 Plan) and the 2007 Non-Employee Directors Equity Incentive Plan (the 2007 Directors Plan).

Under the 2007 Plan and the Company s 2002 Stock-Based Incentive Compensation Plan (the 2002 Plan), employees may be granted deferred stock, restricted stock, stock appreciation rights (SAR) and incentive or non-qualified stock options. Under the 2007 Directors Plan and the Company s 2002 Non-Employee Directors Equity Incentive Plan (the 2002 Directors Plan), non-employee directors may be granted restricted stock or non-qualified stock options to purchase shares of Common Stock. These plans are each administered by the Compensation Committee of the Board of Directors, which determines the vesting provisions, the form of payment for shares and all other terms of the awards.

The following table shows the shares authorized for issuance and shares available for future grants under each of the plans:

Plan	Shares Authorized For Issuance	Shares Available For Future Grants
2007 Plan	850	815
2002 Plan	850	15
2007 Directors Plan	50	50
2002 Directors Plan	25	7

No more than 300 shares may be granted under the 2007 Plan in any plan year.

Options granted are to be issued at prices not less than fair market value on the date of grant and expire up to ten years after the grant date in the case of the 2007 Plan, 2002 Plan and 2007 Directors Plan and up to five years after the grant date in the case of the 2002 Directors Plan. To date, all grants under the 2002 Directors Plan have been restricted stock grants.

In connection with the Company s Annual Incentive & Management Stock Purchase Plan (Incentive Plan) the Company may issue restricted stock units (RSUs). RSUs may be paid, at the discretion of the Compensation Committee of the Company s Board of Directors, in (i) cash or (ii) stock. Any payments in stock would be made from available shares authorized under a stockholder-authorized plan.

The following table summarizes employee stock option activity for the nine months ended September 30, 2007:

	Options (in thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2006	169	$ 12.00		
Granted				
Exercised				
Forfeited	(5)			
Outstanding at September 30, 2007	164	$ 12.00	0.1	$
Exercisable at September 30, 2007	164	$ 12.00	0.1	$

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The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company s closing common stock price on the last trading day of the third quarter of 2007 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on September 30, 2007. The aggregate intrinsic value varies based on the fair market value of the Company s common stock. The total number of in-the-money options exercisable as of September 30, 2007 was zero.

The following table summarizes restricted stock activity during the nine months ended September 30, 2007:

	Number of Shares				Weighted Average Grant Date Fair Value
(Shares in thousands)	**2002 Plan**	**2007 Plan**	**2002 Directors Plan**	**Total**	
Nonvested, December 31, 2006	288		10	298	$ 5.03
Granted	31	35		66	5.96
Vested	(64)		(4)	(68)	5.64
Forfeited	(11)		(2)	(13)	5.21
Nonvested, September 30, 2007	244	35	4	283	5.09

As of September 30, 2007, there was $874 of unrecognized compensation cost related to restricted stock which is expected to be recognized over a weighted average period of 1.6 years. Total fair value of shares vested was $527 for the nine months ended September 30, 2007.

The following table summarizes restricted stock unit activity for the nine months ended September 30, 2007:

(RSU s in thousands)	**Number of Restricted Stock Units**
Outstanding, December 31, 2006	174
Granted	76
Forfeited	(11)
Vested	(8)
Outstanding, September 30, 2007	231

The RSUs generally vest between three and four years from the grant date. During the nine months ended September 30, 2007, in connection with the Incentive Plan, the Company issued 76 RSUs which cliff-vest three years from the date of grant.

RSUs are classified as liabilities in the accompanying condensed consolidated financial statements. The fair value of the liabilities related to the RSUs is remeasured at each balance sheet date and adjustments to the fair value of the RSU liabilities are recorded as compensation expense. The fair value of the liabilities associated with the outstanding RSUs was $506 as of September 30, 2007.

The following table summarizes total stock-based compensation expense included in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2007 and 2006:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2007**	**2006**	**2007**	**2006**
Restricted stock	$ 161	$ 172	$ 482	$ 537

Restricted stock units	(76)	99	91	172
	$ 85	$ 271	$ 573	$ 709

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13. Earnings (Loss) Per Share

Basic earnings (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share (Diluted EPS) is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period after giving effect to all potentially dilutive securities outstanding during the period.

The Company s potentially dilutive securities include potential common shares related to our stock options and restricted stock. Diluted EPS includes the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would be anti-dilutive. Diluted EPS also excludes the impact of potential common shares related to our stock options in periods in which the option exercise price is greater than the average market price of our common stock for the period.

The following table presents a reconciliation between the weighted average number of basic shares outstanding and the weighted average number of fully diluted shares outstanding.

	Three months ended September 30,		**Nine months ended September 30,**	
(shares in thousands)	**2007**	**2006**	**2007**	**2006**
Basic weighted average shares outstanding	12,315	12,235	12,306	12,214
Potentially dilutive securities:				
Employee stock options				
Restricted stock		354		
Total		354		
Diluted weighted average shares outstanding	12,315	12,589	12,306	12,214

Diluted EPS for the three and nine months ended September 30, 2007 and 2006 excludes approximately 0.2 million stock options because the option price was greater than the average market price of our common stock. Diluted EPS for the three and nine months ended September 30, 2007 and the nine months ended September 30, 2006 excludes approximately 0.3 million shares of restricted stock due to the losses for the periods.

14. Pension and Other Postretirement Benefits

The components of net periodic pension cost are as follows:

	Three Months Ended September 30, 2007			**Three Months Ended September 30, 2006**		
(in thousands)	**U.S.**	**Europe**	**Total**	**U.S.**	**Europe**	**Total**
Service cost	$ 258	$ 177	$ 435	$ 559	$ 255	$ 814
Interest cost	1,195	162	1,357	1,132	139	1,271
Expected return on plan assets	(1,469)	(208)	(1,677)	(1,296)	(156)	(1,452)
Amortization of net loss	647	42	689	849	42	891
Amortization of prior service cost	16	(18)	(2)	38		38
Total pension expense	$ 647	$ 155	$ 802	$ 1,282	$ 280	$ 1,562

	Nine Months Ended September 30, 2007			**Nine Months Ended September 30, 2006**		
(in thousands)	**U.S.**	**Europe**	**Total**	**U.S.**	**Europe**	**Total**
Service cost	$ 775	$ 530	$ 1,305	$ 1,677	$ 765	$ 2,442

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(in thousands)	Nine Months Ended September 30, 2007 U.S.	Europe	Total	Nine Months Ended September 30, 2006 U.S.	Europe	Total
Interest cost	3,583	485	4,068	3,397	416	3,813
Expected return on plan assets	(4,407)	(623)	(5,030)	(3,888)	(468)	(4,356)
Amortization of net loss	1,944	126	2,070	2,546	127	2,673
Amortization of prior service cost	47	(54)	(7)	114		114
Total pension expense	$ 1,942	$ 464	$ 2,406	$ 3,846	$ 840	$ 4,686

The Company sponsors various retirement plans for most full-time employees. During 2006, the Company conducted a study of its U.S. employee retirement programs. The Board of Directors approved a number of benefit changes during December 2006 that were implemented effective April 1, 2007. The most significant changes involved the freeze of plan benefits as of March 31, 2007 for certain participants and improvements in the rate of employer matching contributions to our defined contribution plan. These changes are expected to modestly reduce our benefit costs and estimated funding requirements, prospectively.

The Company estimates that its expected contribution to its pension plans for 2007 will be approximately $4.9 million of which $1.9 million and $4.2 million was paid during the three and nine months ended September 30, 2007, respectively.

Other Postretirement Benefits

The components of other postretirement benefits cost were as follows:

(in thousands)	Three Months Ended September 30, 2007	2006	Nine Months Ended September 30, 2007	2006
Interest cost	$ 63	$ 62	$ 188	$ 186
Amortization of net loss	178	171	534	513
Amortization of prior service cost	(77)	(77)	(231)	(231)
Total other postretirement benefits expense	$ 164	$ 156	$ 491	$ 468

15. Income Taxes

During the nine months ended September 30, 2007, the Company recorded a valuation allowance of $6.5 million to offset net operating losses and deferred tax assets generated for the U.S. and foreign operations during 2007. The Company does not currently anticipate realizing deferred tax assets to the extent the assets exceed deferred tax liabilities.

16. Derivative Financial Instruments

The Company reviews opportunities and options to reduce the Company s financial risks and exposure. The Company may enter into a derivative instrument by approval of the Company s executive management based on guidelines established by the Company s Board of Directors. Market and credit risks associated with this instrument are regularly reviewed by the Company s executive management.

The Company has an interest rate swap for a notional amount of $100.0 million relating to its Senior Secured Floating Rate Notes. The Company effectively exchanged its floating interest rate of LIBOR plus 3.375% for a fixed rate of 7.9% over the remaining term of the underlying notes. The objective and strategy for undertaking this interest rate swap was to hedge the exposure to variability in expected future cash flows as a result of the floating interest rate associated with the Company s debt due in 2012.

The Company designated this interest rate swap as a cash flow hedge and assumes that there is no ineffectiveness in the hedging relationship. Therefore, the entire change in the fair value of the swap is recognized in other comprehensive income. The fair value of the interest rate swap asset was $0.8 million at September 30, 2007 and $2.2 million at December 31, 2006. For the nine months ended September 30, 2007, the Company recorded an unrealized loss in other comprehensive income of $1.3 million related to the cash flow hedge.

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17. Other Income (Expense), Net

Other income (expense), net consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2007	2006	2007	2006
Royalty income	$ 225	$ 289	$ 728	$ 612
Interest income	107	37	373	85
Foreign exchange gains (losses)	(124)	372	134	905
Increase (decrease) in cash surrender value of life insurance	23	(264)	25	(264)
Other income (expense)	(66)	42	(170)	89
Other income (expense), net	$ 165	$ 476	$ 1,090	$ 1,427

18. Segment Information

The Company has only one operating segment and one reporting unit. The Company has operating plants in the United States and Europe. Net customer sales by country were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2007	2006	2007	2006
United States	$ 180,290	$ 197,370	$ 526,333	$ 583,260
United Kingdom	37,787	32,269	111,253	90,378
Holland	6,617	16,274	37,916	43,170
	$ 224,694	$ 245,913	$ 675,502	$ 716,808

19. Condensed Consolidating Financial Information

The Company s Senior Notes are guaranteed on a senior basis by each of the Company s domestic and United Kingdom restricted subsidiaries. The guarantor subsidiaries are 100% owned and the guarantees are made on a joint and several basis and are full and unconditional. The following guarantor and non-guarantor condensed financial information gives effect to the guarantee of the Senior Notes by each of our domestic and United Kingdom restricted subsidiaries. The following condensed consolidating financial statements are required in accordance with Regulation S-X Rule 3-10:

Condensed balance sheets as of September 30, 2007 and December 31, 2006;

Condensed statements of operations for the three and nine months ended September 30, 2007 and 2006; and,

Condensed statements of cash flows for the nine months ended September 30, 2007 and 2006.

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CONDENSED CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2007 (restated)

(In thousands)

(Unaudited)

	Parent	Guarantors	Non-Guarantors	Eliminations	Total Company
ASSETS					
Current Assets:					
Cash and cash equivalents	$	$ 4,308	$ 4,051	$	$ 8,359
Intercompany receivables		128,812	9,592	(138,404)	
Accounts receivable, net		78,352	3,592		81,944
Inventories, net		67,300	2,119		69,419
Prepaid expenses and other current assets		20,148	1,252		21,400
Deferred income taxes		2,179			2,179
Current assets of discontinued operations		150	285		435
Total current assets		301,249	20,891	(138,404)	183,736
Property, plant and equipment, net		142,174	5,144		147,318
Goodwill		148,813			148,813
Investments in subsidiaries	474,098	18,959		(493,057)	
Other assets	8,753	9,285	548		18,586
Non-current assets of discontinued operations					
Total assets	$ 482,851	$ 620,480	$ 26,583	$ (631,461)	$ 498,453
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)					
Current Liabilities:					
Short-term debt	$ 10,855	$	$	$	$ 10,855
Accounts payable and accrued liabilities	10,222	110,745	4,650		125,617
Intercompany payable	127,782	9,482	1,140	(138,404)	
Current liabilities of discontinued operations			887		887
Total current liabilities	148,859	120,227	6,677	(138,404)	137,359
Long-term debt, net of current portion	393,667				393,667
Pension and postretirement liabilities		15,572			15,572
Deferred income taxes		2,179			2,179
Other liabilities		8,404			8,404
Non-current liabilities of discontinued operations			947		947
Total liabilities	542,526	146,382	7,624	(138,404)	558,128
Commitments and contingent liabilities					
Stockholders equity (deficit)	(59,675)	474,098	18,959	(493,057)	(59,675)
Total liabilities and stockholders equity (deficit)	$ 482,851	$ 620,480	$ 26,583	$ (631,461)	$ 498,453

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CONDENSED CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2006 (restated)

(In thousands)

	Parent	Guarantors	Non-Guarantors	Eliminations	Total Company
ASSETS					
Current Assets:					
Cash and cash equivalents	$	$ 16,288	$ 3,082	$	$ 19,370
Intercompany receivables		118,627	7,394	(126,021)	
Accounts receivable, net		55,867	6,090		61,957
Inventories, net		55,874	4,324		60,198
Prepaid expenses and other current assets		27,717	1,190		28,907
Deferred income taxes		2,257			2,257
Current assets of discontinued operations			11,602		11,602
Total current assets		276,630	33,682	(126,021)	184,291
Property, plant and equipment, net		139,653	5,432		145,085
Goodwill		148,813			148,813
Investments in subsidiaries	452,703	20,142		(472,845)	
Other assets	11,243	9,962	517		21,722
Non-current assets of discontinued operations			1,286		1,286
Total assets	$ 463,946	$ 595,200	$ 40,917	$ (598,866)	$ 501,197
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)					
Current Liabilities:					
Accounts payable and accrued liabilities	4,602	105,953	6,427		116,982
Intercompany payable	115,470	7,397	3,154	(126,021)	
Current liabilities of discontinued operations			8,680		8,680
Total current liabilities	120,072	113,350	18,261	(126,021)	125,662
Long-term debt	393,466				393,466
Pension and postretirement liabilities		18,837	306		19,143
Deferred income taxes		2,257			2,257
Other liabilities		8,053	64		8,117
Non-current liabilities of discontinued operations			2,144		2,144
Total liabilities	513,538	142,497	20,775	(126,021)	550,789
Commitments and contingent liabilities					
Stockholders equity (deficit)	(49,592)	452,703	20,142	(472,845)	(49,592)
Total liabilities and stockholders equity (deficit)	$ 463,946	$ 595,200	$ 40,917	$ (598,866)	$ 501,197

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007 (restated)

(In thousands)

(Unaudited)

	Parent	Guarantors	Non-Guarantors	Eliminations	Total Company
Net sales	$	$ 219,210	$ 6,617	$	$ 225,827
Cost of products sold, excluding depreciation		196,127	6,280		202,407
Depreciation		6,207	203		6,410
Gross profit		16,876	134		17,010
Selling and administrative expenses		6,416	178		6,594
Research and technology expenses		1,627			1,627
Provision for restructuring			32		32
Total operating expenses		8,043	210		8,253
Operating income		8,833	(76)		8,757
Interest expense	(10,246)	(272)	83		(10,435)
Other income (expense), net		321	(156)		165
Income (loss) from continuing operations before income taxes	(10,246)	8,882	(149)		(1,513)
Provision for income taxes					
Income (loss) from continuing operations	(10,246)	8,882	(149)		(1,513)
Equity earnings	9,080	(383)		(8,697)	
Income from discontinued operations, net of taxes		581	(234)		347
Net income (loss)	$ (1,166)	$ 9,080	$ (383)	$ (8,697)	$ (1,166)

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 (restated)

(In thousands)

(Unaudited)

	Parent	Guarantors	Non-Guarantors	Eliminations	Total Company
Net sales	$	$ 230,457	$ 16,274	$	$ 246,731
Cost of products sold, excluding depreciation		203,920	14,937		218,857
Depreciation		7,580	174		7,754
Gross profit		18,957	1,163		20,120
Selling and administrative expenses		6,090	272		6,362
Research and technology expenses		1,671			1,671
Provision for restructuring		366			366
Total operating expenses		8,127	272		8,399
Operating income		10,830	891		11,721
Interest expense	(10,219)	(231)	28		(10,422)
Other income (expense), net		453	23		476
Income (loss) from continuing operations before income taxes	(10,219)	11,052	942		1,775
Provision for income taxes					
Income (loss) from continuing operations	(10,219)	11,052	942		1,775
Equity earnings	11,373	321		(11,694)	
Income from discontinued operations, net of taxes			(621)		(621)
Net income (loss)	$ 1,154	$ 11,373	$ 321	$ (11,694)	$ 1,154

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 (restated)

(In thousands)

(Unaudited)

	Parent	Guarantors	Non-Guarantors	Eliminations	Total Company
Net sales	$	$ 640,831	$ 37,916	$	$ 678,747
Cost of products sold, excluding depreciation		578,155	34,286		612,441
Depreciation		21,246	696		21,942
Gross profit		41,430	2,934		44,364
Selling and administrative expenses		17,649	810		18,459
Research and technology expenses		5,397			5,397
Provision for restructuring		410	2,757		3,167
Total operating expenses		23,456	3,567		27,023
Operating income		17,974	(633)		17,341
Interest expense	(30,143)	(934)	223		(30,854)
Other income (expense), net		1,294	(204)		1,090
Income (loss) from continuing operations before income taxes	(30,143)	18,334	(614)		(12,423)
Provision for income taxes					
Income (loss) from continuing operations	(30,143)	18,334	(614)		(12,423)
Equity earnings	18,012	(903)		(17,109)	
Income from discontinued operations, net of taxes		581	(289)		292
Net income (loss)	$ (12,131)	$ 18,012	$ (903)	$ (17,109)	$ (12,131)

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 (restated)

(In thousands)

(Unaudited)

	Parent	Guarantors	Non-Guarantors	Eliminations	Total Company
Net sales	$	$ 676,668	$ 43,170	$	$ 719,838
Cost of products sold, excluding depreciation		600,426	39,975		640,401
Depreciation		24,004	493		24,497
Gross profit		52,238	2,702		54,940
Selling and administrative expenses		20,449	831		21,280
Research and technology expenses		4,697			4,697
Asset impairment charges		870			870
Provision for restructuring		591			591
Total operating expenses		26,607	831		27,438
Operating income		25,631	1,871		27,502
Interest expense	(30,457)	(672)	57		(31,072)
Other income (expense), net		1,426	1		1,427
Income (loss) from continuing operations before income taxes	(30,457)	26,385	1,929		(2,143)
Provision for income taxes					
Income (loss) from continuing operations	(30,457)	26,385	1,929		(2,143)
Equity earnings	27,432	1,047		(28,479)	
Income from discontinued operations, net of taxes			(882)		(882)
Net income (loss)	$ (3,025)	$ 27,432	$ 1,047	$ (28,479)	$ (3,025)

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 (restated)

(In thousands)

(Unaudited)

	Parent	Guarantors	Non-Guarantors	Eliminations	Total Company
Cash flows from operating activities:					
Net income (loss)	$ (12,131)	$ 18,012	$ (903)	$ (17,109)	$ (12,131)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,741	21,081	549		23,371
Stock-based compensation		573			573
Reclassification gain of foreign currency translation adjustments			(110)		(110)
Equity earnings	(18,012)	903		17,109	
Changes in operating assets and liabilities	5,463	(21,217)	3,078		(12,676)
Net cash provided by (used in) operating activities	(22,939)	19,352	2,614		(973)
Cash flows from investing activities:					
Purchases of property, plant and equipment		(23,448)	(142)		(23,590)
Proceeds from the sale of property, plant and equipment		950	1,858		2,808
Intercompany dividends		2,070	(2,070)		
Net cash used in investing activities		(20,428)	(354)		(20,782)
Cash flows from financing activities:					
Proceeds from Revolver loan	588,599				588,599
Repayment of Revolver loan	(577,744)				(577,744)
Net change in intercompany loans	12,469	(10,988)	(1,481)		
Costs associated with debt refinancing	(385)				(385)
Net cash provided by (used in) financing activities	22,939	(10,988)	(1,481)		10,470
Effect of exchange rate changes on cash and cash equivalents		83	191		274
Net increase (decrease) in cash and cash equivalents		(11,981)	970		(11,011)
Cash and cash equivalents at beginning of period		16,288	3,082		19,370
Cash and cash equivalents at end of period	$	$ 4,307	$ 4,052	$	$ 8,359

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 (restated)

(In thousands)

(Unaudited)

	Parent	Guarantor	Non-Guarantor	Eliminations	Total Company
Cash flows from operating activities:					
Net income (loss)	$ (3,025)	$ 27,432	$ 1,047	$ (28,479)	$ (3,025)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,714	24,013	1,005		26,732
Stock-based compensation		537			537
Asset impairment charges		870			870
Equity earnings	(27,432)	(1,047)		28,479	
Changes in operating assets and liabilities, net	5,335	4,970	1,503		11,808
Net cash provided by operating activities	(23,408)	56,775	3,555		36,922
Cash flows from investing activities:					
Purchases of property, plant and equipment		(16,324)	(916)		(17,240)
Proceeds from the sale of property, plant and equipment		145			145
Net cash used in investing activities		(16,179)	(916)		(17,095)
Cash flows from financing activities:					
Proceeds from Revolver loan	616,767				616,767
Repayment of Revolver loan	(627,220)				(627,220)
Net change in intercompany loans	34,182	(34,182)			
Costs associated with debt refinancing	(320)				(320)
Other financing activities			(1,540)		(1,540)
Net cash provided by (used in) financing activities	23,409	(34,182)	(1,540)		(12,313)
Effect of exchange rate changes on cash and cash equivalents		187	99		286
Net increase (decrease) in cash and cash equivalents	1	6,601	1,198		7,800
Cash and cash equivalents at beginning of period		6,744	2,919		9,663
Cash and cash equivalents at end of period	$ 1	$ 13,345	$ 4,117	$	$ 17,463

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
Restatement of Previously Issued Financial Results

Financial data and financial statements included in this Form 10-Q/A have been restated to reflect adjustments to previously reported quarterly financial data and condensed consolidated financial statements as of September 30, 2007 and December 31, 2006 and for the three and nine month periods ended September 30, 2007 and September 30, 2006. (See Note 2 Restatement for additional information.) This information should be considered in conjunction with the information contained in the financial statements and notes thereto appearing elsewhere in this Form 10-Q/A.

Overview

Constar International Inc. (the Company or Constar) is a global producer of PET, or polyethylene terephthalate, plastic containers for food, beverages, and other end use applications. Constar manufactures PET containers for conventional PET applications in soft drinks and water and for custom PET applications. Custom PET container applications include food, juices, teas, sport drinks, new age beverages, household chemicals, beer and flavored alcoholic beverages, most of which require a combination of advanced technologies, processing know-how and innovative designs. Beverage categories dominate the PET market.

Constar s technologies are aimed at enabling the Company to meet the specific needs of products being converted from other forms of packaging to PET. Constar s oxygen-scavenging technology, Oxbar®, enables the Company to produce the special packaging required to extend the shelf life of oxygen sensitive products. In January 2007, the Company s DiamondClear oxygen scavenger technology completed the Food and Drug Administration s (FDA) food contact notification process and is now available for ketchup. The Company is developing additional DiamondClear products targeted towards a variety of food applications. DiamondClear is a monolayer oxygen barrier material that can be incorporated into PET containers to produce glass-like clarity. In the second quarter of 2007, the Company commenced its first commercial shipment of DiamondClear. The Company believes that its portfolio of oxygen scavenging products represents the industry s best-performing oxygen barrier technologies. The Company has also developed methods for heat-setting containers without the use of traditional vacuum panels. Constar is focused on providing its customer base with the best service through technological innovation, new product development and lowest-cost production. The Company actively seeks new business where its technologies and other competitive strengths can yield attractive and sustainable profitability.

Substantially all of the Company s sales are covered by existing or pending contracts. Some of these contracts come up for renewal each year, and are often offered to the market for competitive bidding. The Company s main contract with PepsiCo, its largest customer, is scheduled to expire on December 31, 2008. The Company is currently discussing a contract renewal with PepsiCo and there can be no assurance of the outcome of these discussions. In addition, in negotiations with certain customers for the continuation and the extension of supply agreements, the Company has agreed to price concessions. The net negative impact of contractual price concessions in 2007 as compared to 2006 is approximately $14.0 million to $16.0 million. Compared to 2007, the Company expects contractual net price increases of approximately $7.0 million to $8.0 million in 2008.

Approximately 78% of the Company s revenues in the first nine months of 2007 were generated in the United States, with the remainder attributable to its European operations. During the first nine months of 2007, one customer accounted for approximately 38% of the Company s consolidated revenues, while the top ten customers accounted for an aggregate of approximately 71% of the Company s consolidated revenues. Approximately 74% of the Company s sales in the first nine months of 2007 related to conventional PET containers which are primarily used for carbonated soft drinks (CSD) and bottled water.

The Company believes that water bottlers will continue to shift towards manufacturing their own bottles. This is an accelerating trend in the industry. In addition, the Company believes that some future movement toward self-manufacturing of CSD packages is likely, particularly where freight costs are a significant factor. As a result, profitability from conventional sales is expected to continue to decline for the foreseeable future. Additionally, increased self-manufacturing may result in over-capacity among merchant suppliers and create pricing pressures. The Company believes that in most cases, customers will continue to purchase conventional preforms from merchant suppliers.

The Company is a producer of higher profit custom products that are used in such packaging applications as hot-filled beverages, food, household chemicals, beer and flavored alcoholic beverages, most of which require containers with special performance characteristics. Part of the Company s strategy is to increase its presence in this higher profit and growth sector of the market. Approximately 21% of the Company s sales in the first nine months of 2007 related to custom PET containers. Custom unit volume declined approximately 1.9% in the third quarter of 2007 compared to the third quarter of 2006. This decrease was driven by the softening in demand for some of the Company s customers products and the temporary suspension of production by a customer.

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As previously disclosed, the Company has been notified by two of its conventional customers, representing 3.2% of 2006 consolidated revenues, of their decision to manufacture their own bottles. In addition, as previously disclosed, the Company has been notified by one of its CSD customers, representing 1.9% of 2006 consolidated revenues, of its decision not to renew its contract which expires on December 31, 2007. During 2007, the Company has signed new supply agreements that along with the expected net impact of contractual price increases beginning in 2008 of between $7.0 million and $8.0 million are expected to minimize and potentially exceed the impact of the losses noted above.

The primary raw material and component cost of the Company s products is PET resin, which is a commodity available globally. The price of PET resin is subject to frequent fluctuations as a result of raw material costs, overseas markets, PET production capacity and seasonal demand. Constar is one of the largest purchasers of PET resin in North America, which it believes provides it with negotiating leverage. Higher resin prices may impact the demand for PET packaging where customers have a choice between PET and other forms of packaging.

Substantially all of the Company s sales are made pursuant to mechanisms that allow for the pass-through of changes in the price of PET resin to its customers. Period-to-period comparisons of gross profit and gross profit as a percentage of sales may not be meaningful indicators of actual performance, because the effects of the pass-through mechanisms are affected by the magnitude and timing of resin price changes.

The Company is highly leveraged. As of September 30, 2007, the Company s debt structure consisted of a $75.0 million Revolver Loan, $220.0 million of Senior Notes and $175.0 million of Subordinated Notes. As of September 30, 2007, the Company had $10.9 million outstanding under its Revolver Loan and $ 4.1 million of letters of credit issued under its Revolver Loan. Interest expense for the first nine months of 2007 was $31.0 million.

Results of Operations

Three Months Ended September 30, 2007 and 2006

Net Sales

	Three months ended September 30,			**%**
(dollars in millions)	**2007**	**2006**	**Increase (Decrease)**	**Increase (Decrease)**
United States	$ 181.4	$ 198.2	$ (16.8)	(8.5)%
Europe	44.4	48.5	(4.1)	(8.5)
Total	$ 225.8	$ 246.7	$ (20.9)	(8.5)%

The decrease in consolidated sales was driven by a decline in conventional and custom unit volumes and contractual price reductions. The decline in conventional unit volume was driven by a decrease in water volume due to the continued movement of water bottlers to self-manufacturing. In addition, CSD volume decreased due to consumers shifting their preferences from traditional carbonated soft drinks to alternative beverages such as energy drinks and teas, most of which are in non-PET forms of packaging. The decrease in water and CSD bottle volumes was partially offset by an increase in preform volume and a strengthening of the British Pound and Euro against the dollar.

The decrease in U.S. net sales in the third quarter of 2007 compared to the third quarter of 2006 was principally driven by declines in unit volume and the impact of contractual price reductions. Total U.S. unit volume decreased 3.3% over the third quarter of 2006. Conventional unit volume declined 3.5% compared to the third quarter of 2006, while custom unit volume decreased 1.9%.

The decrease in European net sales in the third quarter of 2007 compared to the third quarter of 2006 was primarily due to decreased total unit volume of 3.1%. Total bottle and preform volume decreased by 12.3% due principally to the previously disclosed loss of a major customer in the Netherlands, partially offset by an increase in closure volume of 7.3%. The decline in revenue due to volume losses was partially offset by favorable foreign currency translations.

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Gross Profit

(dollars in millions)	Three months ended September 30, Restated 2007	Restated 2006	Increase (Decrease)
United States	$ 16.4	$ 18.5	$ (2.1)
Europe	0.6	1.6	(1.0)
Total	$ 17.0	$ 20.1	$ (3.1)
Percent of net sales	7.5%	8.1%	

The decrease in gross profit in the third quarter of 2007 compared to the third quarter of 2006 was the result of lower volumes and contractual price reductions which were partially offset by lower manufacturing costs and favorable foreign currency translations.

Selling and Administrative Expenses

Selling and administrative expenses increased to $6.6 million in the third quarter of 2007 compared to $6.4 million in the third quarter of 2006. The increase relates primarily to salaries and benefits and a $0.3 million charge related to non-restructuring severance costs, offset by decreased legal and stock compensation expenses.

Research and Technology Expenses

Research and technology expenses were $1.6 million in the third quarter of 2007 compared to $1.7 million in the third quarter of 2006. Research and technology expenses relate to spending for the Company s existing proprietary technologies and new emerging technologies.

Operating Income

Operating income was $8.8 million in the third quarter of 2007 compared to $11.7 million in the third quarter of 2006. This decrease in operating income primarily relates to the lower unit volumes and contractual price concessions discussed above.

Interest Expense

Interest expense remained consistent at $10.4 million in the third quarter of 2007 and 2006.

Other (Income) Expense, net

Other income was $0.2 million in the third quarter of 2007 compared to other income of $0.5 million in the third quarter of 2006. The decrease in other income primarily resulted from decreases in foreign currency gains.

Provision for Income Taxes

The Company recorded no provision for income taxes for the third quarter of 2007 or 2006. During the third quarter of 2007 the Company recorded an additional valuation allowance of $1.6 million to offset net operating losses and deferred tax assets generated for the U.S. and foreign operations. During the third quarter of 2006, the Company recorded a reduction to the valuation allowance of $1.2 million.

Loss from Discontinued Operations, net of taxes

Income from discontinued operations in the third quarter of 2007 was $0.3 million compared to loss from discontinued operations of $0.6 million in the third quarter of 2006 and is related to the shutdown and run-off of operations in Turkey, which began in May 2006, and in Italy, which began in December 2006. Unless otherwise indicated, amounts provided throughout this report relate to continuing operations only.

Net Income (Loss)

Net loss in the third quarter of 2007 was $1.2 million, or $0.09 loss per basic and diluted share, compared to net income in the third quarter of 2006 of $1.2 million, or $0.10 income per basic share and $0.09 income per diluted share.

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Nine Months Ended September 30, 2007 and 2006

Net Sales

(dollars in millions)	Nine months ended September 30, 2007	2006	Increase (Decrease)	% Increase (Decrease)
United States	$ 529.6	$ 586.3	$ (56.7)	(9.7)%
Europe	149.2	133.5	15.7	11.8
Total	$ 678.8	$ 719.8	$ (41.0)	(5.7)%

The decrease in consolidated sales was primarily driven by a decline in conventional and custom unit volumes. The decline in conventional unit volume was driven by a decrease in water volume due to the continued movement of water bottlers to self-manufacturing. In addition, CSD volume decreased due to consumers shifting their preferences from traditional carbonated soft drinks to alternative beverages such as energy drinks and teas, most of which are in non-PET forms of packaging. The decrease in water and CSD bottle volumes was partially offset by an increase in preform volume, and a strengthening of the British Pound and Euro against the dollar.

The decrease in U.S. net sales was principally driven by declines in unit volume and the impact of contractual price reductions. Total U.S. unit volume decreased 5.7% compared to the nine months ended September 30, 2006. Custom unit volume decreased 5.8 %, while conventional unit volume declined 5.4 % compared to the nine months ended September 30, 2006.

The increase in European net sales for the nine months ended September 30, 2007 was primarily due to increased total unit volume of 5.2 %, and favorable foreign currency translations compared to the nine months ended September 30, 2006.

Gross Profit

(dollars in millions)	Nine months ended September 30, Restated 2007	Restated 2006	Increase (Decrease)
United States	$ 41.0	$ 51.8	$ (10.8)
Europe	3.4	3.1	0.3
Total	$ 44.4	$ 54.9	$ (10.5)
Percent of net sales	6.5%	7.6%	

The decrease in gross profit for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006 was the result of lower volumes, contractual price reductions, and the $4.0 million impact of last year s settlement of a pricing dispute with a customer, which were partially offset by lower manufacturing costs and favorable foreign currency translation.

Selling and Administrative Expenses

Selling and administrative expenses decreased $2.8 million, or 13.1%, to $18.5 million for the nine months ended September 30, 2007 from $21.3 million for the nine months ended September 30, 2006. This decrease was primarily driven by lower legal and audit fees.

Research and Technology Expenses

Research and technology expenses were $5.4 million for the nine months ended September 30, 2007 compared to $4.7 million for the nine months ended September 30, 2006. This increase was primarily driven by increased development and regulatory expenses. The research and technology expenses relate to spending for the Company s existing proprietary technologies and new emerging technologies.

Provision for Restructuring

During the nine months ended September 30, 2007 the Company recorded restructuring charges of $3.2 million, which consisted primarily of severance costs principally related to the Company s operations in the Netherlands. (See Note 9 of the accompanying Condensed Consolidated Financial Statements).

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Operating Income

Operating income was $17.4 million for the nine months ended September 30, 2007 compared to $27.5 million for the nine months ended September 30, 2006. This decrease in operating income primarily relates to the decreased operating performance and restructuring charges described above.

Interest Expense

Interest expense decreased $0.2 million to $30.9 million in the nine months ended September 30, 2007 from $31.1 million in the nine months ended September 30, 2006 as a result of lower average borrowings partially offset by a higher effective interest rate.

Other (Income) Expense, net

Other income, net was $1.1 million in the nine months ended September 30, 2007 compared to $1.4 million for the nine months ended September 30, 2006. Other income, net consists primarily of royalty income, interest income and foreign exchange gains.

Provision for Income Taxes

The Company recorded no provision for income taxes for the nine months ended September 30, 2007 or September 30, 2006. During the nine months ended September 30, 2007 the Company recorded a valuation allowance of $6.5 million to offset net operating losses and deferred tax assets generated for the U.S. and foreign operations during the nine months ended September 30, 2007. During the nine months ended September 30, 2006, the Company recorded an additional valuation allowance of $1.6 million to offset net operating losses and deferred tax assets generated for the U.S. and foreign operations.

Income (Loss) from Discontinued Operations, net of taxes

Income from discontinued operations for the nine months ended September 30, 2007 was $0.3 million compared to loss from discontinued operations of $0.9 million for the nine months ended September 30, 2006 and is related to the shutdown and run-off of operations in Turkey, which began in May 2006, and in Italy, which began in December 2006. Unless otherwise indicated, amounts provided throughout this report relate to continuing operations only.

Net Loss

Net loss for the nine months ended September 30, 2007 was $12.1 million, or $0.98 loss per basic and diluted share, compared to a net loss for the nine months ended September 30, 2006 of $3.0 million, or $0.25 loss per basic and diluted share.

Liquidity and Capital Resources

The Company s debt structure consists of $175.0 million of Senior Subordinated Notes due December 1, 2012 (Subordinated Notes), $220.0 million of Senior Secured Floating Rate Notes due February 15, 2012 (Senior Notes) and a $75.0 million Senior Secured Asset Based Revolving Credit Facility (Revolver Loan). The Subordinated Notes bear interest at a rate of 11.0% per annum. Interest on the Subordinated Notes is payable semi-annually on each December 1 and June 1. The Senior Notes bear interest at the rate of three-month LIBOR plus 3.375% per annum. Interest on the Senior Notes is reset quarterly.

At September 30, 2007, there was $220.0 million outstanding on the Senior Notes, $175.0 million outstanding on the Subordinated Notes, $10.9 million outstanding on the Revolver Loan, and $4.1 million of letters of credit outstanding issued under the Revolver Loan.

The Revolver Loan imposes a limit on maximum capital expenditures of $47.5 million in 2007 and 2008. These capital expenditure covenants allow for the carry forward of a certain amount of spending below covenant levels in previous periods. In 2006, Constar spent $23.5 million in capital expenditures, allowing $14.3 million to be carried over to 2007. The Company currently expects to spend between $30.0 million and $33.0 million in capital expenditures in 2007, before the impact of capital expenditures for new customer projects that may begin in the second half of 2007 and carry into the first half of 2008.

Liquidity, defined as cash and availability under the Revolver Loan, is a key measure of the Company s ability to finance its operations. The principal determinant of 2007 liquidity will be 2007 financial performance. Liquidity at September 30, 2007 was $63.4 million as compared to

$76.0 million at September 30, 2006.

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Liquidity will vary on a daily, monthly and quarterly basis based upon the seasonality of the Company s sales as well as the factors mentioned above. The Company s cash requirements are typically greater during the first and second quarters of each year because of the build-up of inventory levels in anticipation of the seasonal sales increase during the warmer months and the collection cycle from customers following the higher seasonal sales.

Cash Flows

The following table presents selected cash flow data.

(in millions)	Nine months ended September 30, 2007	2006	Increase (Decrease)
Net cash provided by (used in) operating activities	$ (1.0)	$ 36.9	$ (37.9)
Net cash used in investing activities	$ (20.8)	$ (17.1)	$ 3.7
Net cash provided by (used in) financing activities	$ 10.5	$ (12.3)	$ 22.8

Net cash provided by (used in) operations for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006, decreased due to lower profitability in the first nine months of 2007 and changes in working capital. Days sales in accounts receivable increased to approximately 33.4 days at September 30, 2007 from 29.5 days at September 30, 2006 primarily driven by the temporary delay in payments related to specific customers, one less collection day at the end of September 2007, and a change in European customer mix which resulted in higher European days sales in accounts receivable than at the end of September 2006. Average days sales in accounts receivable for the nine months ended September 30, 2007 were 30.9 days compared to 30.7 days for the same period of last year. Inventory days increased to approximately 30.6 days at September 30, 2007 from 27.8 days at September 30, 2006 due to a build up of inventory in anticipation of higher demand. Average inventory days for the nine months ended September 30, 2007 were 29.7 days compared to 31.4 days for the same period of last year. Days payable in accounts payable and accrued liabilities decreased to 55.3 days at September 30, 2007 compared to 55.9 days at September 30, 2006. The decrease in days payable was primarily a result of the timing of payments to our resin vendors. During the first nine months of 2007 average days payable were approximately 51.3 days or 0.5 days lower than the average days payable during the first nine months of 2006. This is the result of the normal timing of purchases to meet customer demand and the timing of payments to vendors in accordance with negotiated terms that may vary from year to year and during the year. On October 1, 2007, we made a payment of approximately $6.5 million to a vendor in the normal course of business.

The increase in net cash used in investing activities was primarily due to an increase in capital spending. Capital expenditures primarily related to new business initiatives, implementation of the Company s Best Cost Producer program, and general plant maintenance. The Company s Best Cost Producer program is an ongoing initiative to continually reduce manufacturing costs and improve operating efficiencies at its manufacturing facilities. This initiative has in the past resulted in restructuring charges.

Net cash provided by financing activities for the nine months ended September 30, 2007 was primarily comprised of net borrowings of $10.9 million on the Revolver Loan. Net cash used in financing activities for the nine months ended September 30, 2006 was primarily comprised of net repayments of $10.5 million on the Revolver Loan and a $1.5 million repayment of other debt.

Commitments

As a result of the adoption of FIN 48, the Company had a material change to the scheduled contractual obligations table disclosed in its 2006 Annual Report on Form 10-K filed March 29, 2007. As of September 30, 2007, the Company s contractual obligation related to the adoption of FIN 48 was approximately $0.7 million.

Information regarding the Company s contingent liabilities appears in Part I within Item 1 of this report under Note 9 to the accompanying Condensed Consolidated Financial Statements, which information is incorporated herein by reference.

Stockholders Deficit

Stockholders deficit increased to $59.7 million at September 30, 2007 from $49.6 million deficit at December 31, 2006. This increase was primarily due to a net loss for the nine months ended September 30, 2007 of $12.1 million, the revaluation of a cash flow hedge of $1.3 million, and a negative adjustment of $0.7 million due to the adoption of FIN 48, which was partially offset by postretirement amortization of $2.4 million, and currency translation adjustments of $1.4 million during the nine months ended September 30, 2007.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial

statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. This interpretation prescribes a recognition threshold and measurement attribute of tax positions taken or expected to be taken on a tax return. The Company adopted FIN 48 at the beginning of the first quarter of 2007. Upon adoption as of January 1, 2007, the Company recorded a reserve for uncertain tax positions in the amount of $0.7 million. This adjustment was recorded as a cumulative effect adjustment to the opening balance of accumulated deficit.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 establishes a common definition for fair value to be applied to U.S. GAAP guidance requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS 157 to have a material impact on our results of operations or financial condition.

In February 2007, the FASB issued SFAS No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS 159 to have a material impact on our results of operations or financial condition.

In March 2007, the FASB ratified Emerging Issues Task Force Issue No. 06-10 *Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements* (EITF 06-10). EITF 06-10 provides guidance for determining a liability for the postretirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. The Company does not expect the adoption of EITF 06-10 to have a material impact on our results of operations or financial condition.

In September 2006, the FASB ratified the EITF consensus on EITF Issue No. 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements* (EITF 06-4). EITF 06-4 indicates that an employer should recognize a liability for future post-employment benefits based on the substantive agreement with the employee. EITF 06-4 is effective for fiscal years beginning after December 15, 2007. The Company does not expect the adoption of EITF 06-4 to have a material impact on our results of operations or financial condition.

Forward-Looking Statements

Statements included herein that are not historical facts (including, but not limited to, any statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto), are forward-looking statements within the meaning of the federal securities laws. In addition, the Company and its representatives may from time to time make other oral or written statements which are also forward-looking statements.

These forward-looking statements are based on the Company s current expectations and projections about future events. Statements that include the words expect, believe, intend, plan, anticipate, project, will, may, could, should, pro forma, continues, estimates, objective and similar statements of a future nature identify forward-looking statements. These forward-looking statements and forecasts are subject to risks, uncertainties and assumptions. The Company cautions that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements. The Company does not intend to review or revise any particular forward-looking statement or forecast in light of future events.

Important factors that could cause the actual results of operations or financial condition of the Company to differ from expectations include the Company s relationship with its largest customers, the impact of self-manufacturing on the Company s business, and the impact of pricing changes; the Company s ability to secure new business, expand sales of custom products, improve the operating performance of its European business and achieve cost savings under its Best Cost Producer program; and the impact of the foregoing factors on the Company s financial position. Other important factors are discussed in the Company s Annual Report on Form 10-K for the year ended December 31, 2006 under the captions Cautionary Statement Regarding Forward Looking Statements and Item 1.A Risk Factors and is incorporated herein by reference. Some of the factors are also discussed elsewhere in this Form 10-Q and have been or may be discussed from time to time in the Company s other filings with the Securities and Exchange Commission.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk
Market Risk

In the normal course of business, the Company is exposed to fluctuations in currency values, interest rates, commodity prices and other market risks.

The Company derived approximately 22% of total revenues from sales in foreign currencies during the nine months ended September 30, 2007. In the Company s financial statements, operating results in local currency are translated into U.S. dollars based on average exchange rates during the period and balance sheet items are translated at rates in effect on the balance sheet date. During periods of a strengthening dollar, the Company s U.S. dollar financial results related to operations conducted in foreign currencies are reduced because the local currency amounts are translated into fewer U.S. dollars. Conversely, as the dollar weakens, the Company s foreign results reported in U.S. dollars will increase accordingly. Based on the Company s revenues for the first nine months of 2007 from its foreign locations that utilize currencies other than the U.S. dollar, a 10.0% increase in the U.S. dollar value would result in approximately a $13.4 million reduction in net sales. The Company may enter into foreign exchange contracts to reduce the effects of fluctuations in foreign currency exchange rates on assets, liabilities, firm commitments and anticipated transactions. However, the Company does not generally hedge its exposure to translation gains or losses on non-U.S. net assets. At September 30, 2007, the Company had no foreign currency derivative contracts outstanding.

Under the procedures and controls of the Company s risk management, the Company entered into an agreement to manage the floating interest rate on a portion of the Company s Senior Notes. The interest rate swap involved the exchange of floating interest payments based on the three month LIBOR rate for a fixed rate. The Company uses the interest rate swap to manage and hedge its exposure to interest rate risks. Therefore, the Company has an exposure to interest rate risk on the portion of the Senior Notes and borrowings under the Revolver Loan that is not part of the cash flow hedge. The extent of the Company s interest rate risk in connection with the Revolver Loan and the Senior Notes is not quantifiable or predictable because of the variability of future interest rates and borrowing requirements. Based on borrowing levels as of September 30, 2007, a 1.0% increase in LIBOR would have resulted in an increase of $1.3 million in annual interest expense. However, current amounts borrowed under the Revolver Loan might not be representative of future borrowings which will be based on our future requirements and seasonal needs.

The principal raw materials used in the manufacture of the Company s products are resins that are petrochemical derivatives. The markets for these resins are cyclical, and are characterized by fluctuations in supply, demand and pricing. Substantially all of the Company s sales are made under mechanisms that allow for the pass-through of changes in the price of PET resin under various pass-through mechanisms. PET resin is our principal raw material and a major component of cost of goods sold. Period-to-period comparisons of gross profit and gross profit as a percentage of sales may not be meaningful indicators of actual performance, because the effects of the pass-through mechanisms are affected by the magnitude and timing of resin price changes.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains a system of disclosure controls and procedures for financial reporting to give reasonable assurance that information required to be disclosed in the Company s reports submitted under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to management to allow timely decisions regarding required disclosures.

With the participation of management, the Company s Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company s disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of September 30, 2007 in connection with the filing of the Original Form 10-Q. Based on that evaluation, the Company s Chief Executive Officer and the Chief Financial Officer concluded at that time that these disclosure controls and procedures were effective.

Subsequent to the evaluation made in connection with the filing of the Original Form 10-Q, and in connection with the restatement of our prior period financial statements described in Part I, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-Q/A and the filing of this Form 10-Q/A, the Company s Chief Executive Officer and the Chief Financial Officer, together with management, re-evaluated the effectiveness of the design and operation of these disclosure controls and procedures and concluded that, because the material weakness in the internal control over financial reporting described below existed at that time, these disclosure controls and procedures were not effective as of September 30, 2007.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

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Subsequent to the filing of the Original Form 10-Q, we identified a material weakness in our internal control over financial reporting in that we did not maintain effective controls over the completeness and accuracy of property, plant and equipment and the related depreciation expense. Specifically, the Company did not have controls designed and operating effectively to ensure that property, plant and equipment capitalized in 2003 and prior years were capitalized on a timely basis in accordance with generally accepted accounting principles and that related depreciation expense was recorded associated with the Company s 2003 acquisition of certain property, plant and equipment. This material weakness resulted in the restatement of the Company s interim condensed consolidated financial statements as of and for the period ended September 30, 2007. Additionally, until remediated, this control deficiency could result in misstatements of the Company s property, plant and equipment and related depreciation expense accounts that would result in a material misstatement of the Company s interim or annual consolidated financial statements that would not be prevented or detected on a timely basis.

Notwithstanding the existence of this material weakness, we have concluded that the consolidated financial statements in this Form 10-Q/A fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented.

Plan for Remediation of Material Weaknesses in Internal Control over Financial Reporting

In order to remediate the material weakness, and as of March 31, 2008, the date of the filing of our annual report on Form 10-K for the year ended December 31, 2007, management has designed controls to determine that property, plant and equipment capitalized as part of an acquisition are properly amortized or depreciated and that assets are capitalized, on a timely basis, in accordance with generally accepted accounting principles. Notwithstanding the existence of a material weakness related to property, plant and equipment as of September 30, 2007, management believes we have sufficient individuals that collectively possess a strong background, experience and expertise related to internal control over financial reporting and we have properly designed controls over those areas that led to the restatement of previously issued financial statements as of the date of filing of this interim report on Form 10-Q/A.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II Other Information

Item 1. Legal Proceedings

Information regarding legal proceedings involving the Company appears in Part I within Item 1 of this quarterly report under Note 9 to the Condensed Consolidated Financial Statements, which information is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risk and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results.

Item 6. Exhibits

3.2	Amended and Restated Bylaws (incorporated by reference to the same-numbered exhibit filed with the Company s Form 10-Q for the quarterly period ended September 30, 2007, filed with the Securities and Exchange Commission on November 14, 2007).
10.5	Agreement dated August 7, 2007 between Constar International Inc. and Frank Gregory (incorporated by reference to Exhibit 99.1 of the Registrant s Report on Form 8-K filed August 24, 2007).*

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10.27a	Form of amendment to Change of Control Agreement (incorporated by reference to the same-numbered exhibit filed with the Company s Form 10-Q for the quarterly period ended September 30, 2007, filed with the Securities and Exchange Commission on November 14, 2007).*
10.27b	Agreement dated August 1, 2007 between Constar International Inc. and Chris Phelan (incorporated by reference to the same-numbered exhibit filed with the Company s Form 10-Q for the quarterly period ended September 30, 2007, filed with the Securities and Exchange Commission on November 14, 2007).*
10.35a	Amended and Restated Constar International Inc. Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.35a of the Registrant s Report on form 8-K filed November 6, 2007).*
10.36a	Amended and Restated Constar International Inc. Annual Incentive and Management Stock Purchase Plan (incorporated by reference to Exhibit 10.36a of the Registrant s Report on Form 8-K filed November 6, 2007).*
23.1	Consent of PricewaterhouseCoopers, LLP
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
32.2	Certification of Executive Vice President and Chief Financial Officer Pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Constar International Inc.

Dated: May 15, 2008

By: /s/ WALTER S. SOBON

Walter S. Sobon
Executive Vice President and Chief Financial Officer
(duly authorized officer and principal accounting officer)

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