FutureFuel Corp.

2006 FINANCIAL RESULTS

(Restated)

FutureFuel Corp. ("FutureFuel" or the "Company")

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FutureFuel, through its wholly owned subsidiary FutureFuel Chemical Company ("FutureFuel Chemical"), is a leading producer and marketer of alternative fuels in the United States as well as a specialty chemicals manufacturer. The Company is pleased to present its restated consolidated financial statements, including its consolidated balance sheets as of December 31, 2006 and 2005 and its consolidated statements of operations, statements of cash flows and statements of changes in stockholders' equity for the year ended December 31, 2006 and for the period from August 12, 2005 (inception) to December 31, 2005, together with KPMG LLP's report thereon.

Notes on the Presentation of Financial Information

- On July 21, 2006, Viceroy Acquisition Corporation ("Viceroy"), now known as FutureFuel Corp., entered into an acquisition agreement with Eastman Chemical Company ("Eastman Chemical") to purchase all of the issued and outstanding stock of Eastman SE, Inc. ("Eastman SE"), an entity created by Eastman Chemical for purposes of effecting a sale of Eastman Chemical's manufacturing facility in Batesville, Arkansas (the "Batesville Plant"). On October 27, 2006, a special meeting of the shareholders of Viceroy was held and the acquisition of Eastman SE was approved by the shareholders. On October 31, 2006, Viceroy acquired all of the issued and outstanding shares of Eastman SE from Eastman Chemical. After purchase price adjustments to date, a price of approximately $71.0 million was paid for the stock of Eastman SE. Immediately subsequent to the acquisition, Viceroy changed its name to FutureFuel Corp. and Eastman SE changed its name to FutureFuel Chemical Company.
- For purposes of preparing its financial statements, the Company initially accounted for the acquisition of FutureFuel Chemical as a reverse acquisition and did not apply purchase accounting to the transaction. FutureFuel announced its 2006 preliminary results on April 24, 2007.
- The Company filed a registration statement on Form 10 with the U.S. Securities and Exchange Commission ("SEC") on April 24, 2007. The consolidated financial statements included in FutureFuel's April 24, 2007 preliminary results were included in this registration statement. This Form 10 registration statement along with the consolidated financial statements of FutureFuel and the financial statements of Viceroy were subject to review by the SEC.
- On July 27, 2007, following a special meeting of the audit committee of the Company's board of directors, and as a result of SEC comments, FutureFuel announced that its previously issued financial statements for 2006 would require restatement to apply purchase accounting to the acquisition of FutureFuel Chemical and should not be relied upon. Trading of FutureFuel's shares on AIM has been suspended since the date of this announcement.
- As the restated FutureFuel financial statements present the acquisition of Eastman SE utilizing purchase accounting, the historical financial results of Eastman SE occurring before November 1, 2006 are not included within FutureFuel's historical financial statements. Thus, in order to provide a more meaningful presentation of the financial information within this report, the financial data presented herein represents the consolidated results of operations and cash flows for the year ended December 31, 2006 and for the period from August 12, 2005 (inception) to December 31, 2005 for FutureFuel combined with the results of operations and cash flows of Eastman SE for the ten months ended October 31, 2006 and for the year ended December 31, 2005. Additionally, the selected 2005 balance sheet information presented herein represents the combined balance sheet information of FutureFuel and Eastman SE as of December 31, 2005. The Company's restated consolidated financial statements and notes thereto, as well as the "carve-out" financial statements of FutureFuel Chemical and notes thereto, are included at the end of this report.

Corporate and Financial Highlights

- Completion of share offering and simultaneous admission to AIM, July 12, 2006
  - Raised $172.5 million (net)
- Public announcement of execution of acquisition agreement with Eastman Chemical Company on July 21, 2006; as the acquisition of FutureFuel Chemical constituted a reverse acquisition, trading in the Company's shares and warrants was suspended in accordance with AIM rules
- Shareholder approval of acquisition of FutureFuel Chemical on October 27, 2006; acquisition consummated, funds from offering distributed from trust to FutureFuel, and readmission to AIM granted on October 31, 2006
- Revenues of $150.8 million (2005; $119.5 million)
- EBITDA of $7.7 million (2005; $9.6 million)
- Cash and cash equivalents of $63.1 million (2005; $0)
- Net working capital of $97.1 million (2005; $2.7 million)
- Book value of $161.2 million (2005; $76.1 million)

Operational Highlights

- Biodiesel production capacity at December, 31 2006 of 24 million gallons per year
- Substantive work initiated on core infrastructure expansion projects at FutureFuel Chemical's plant site in Batesville, Arkansas
  - Addition of methanol recovery and feedstock pretreatment capabilities
  - Construction of additional on-site storage to support increased movements of feedstocks, methanol, glycerin and biodiesel
  - Expansion of on-site rail siding and railcar loading and unloading facilities
  - Addition of off-site storage/thruput in Little Rock, Arkansas, in Memphis, Tennessee, and in Port Allen, Louisiana
  - Acquisition of a fleet of tanker trucks
  - Procurement of railcars
- Continued sustainable cash flow generation from specialty chemicals business

Post-period Highlights

- FutureFuel Chemical entered into a $50 million credit agreement with Regions Bank in March 2007; the loan is a revolving credit facility, proceeds of which may be used for working capital, capital expenditures and general corporate purposes
- FutureFuel Chemical completed the build-out of its information technology, procurement, finance and accounting functions and in March 2007 terminated the Transition Services Agreement that had been in place with Eastman Chemical Company since the closing of the acquisition

Paul A. Novelly, Chairman, commented:

"I am pleased to report that during 2006 FutureFuel executed on two important milestones in achieving its long-term strategic objectives. First, we completed our AIM share offering, providing the Company with the proper capitalization and funding to pursue acquisitions in the oil and gas industry. Second, we closed the acquisition of FutureFuel Chemical, bringing the Company an extremely talented and entrepreneurial employee base, a strong foothold in the alternative fuels market, and sustainable cash flow. The board of directors believes that FutureFuel is well positioned to become a leader in the alternative fuels segment of the U.S. oil and gas industry."

Lee E. Mikles, Chief Executive Officer, commented:

"On November 1, 2006, having completed both our AIM share offering and the acquisition of FutureFuel Chemical, FutureFuel was faced with the challenges of integrating its first acquisition, navigating the changing landscape of the alternative fuels market, and ensuring the stability of FutureFuel Chemical's specialty chemicals business. We have made considerable progress toward meeting each of these challenges during the last two months of the year. FutureFuel reported a healthy balance sheet and working capital position at December 31, 2006, due in large part to financial results from FutureFuel Chemical that exceeded our expectations.

Our management and our employees are eager to continue this success into 2007, always with a focus on creating value for our shareholders."

CHAIRMAN'S STATEMENT

Over the span of one year, beginning in October 2005 with the formation of the Company, and culminating in October 2006, with the closing of the acquisition of FutureFuel Chemical, we have successfully laid the foundation to achieve our objective of becoming a leader in the U.S. alternative fuels segment of the oil and gas industry. In fact, with a current capacity of 24 million gallons per year of biodiesel production, FutureFuel Chemical is already an active participant in the U.S. biodiesel industry. FutureFuel Chemical is also among the leading participants in the research, development and commercialization of cellulosic ethanol technology

As we guide FutureFuel Chemical through its transformation into a leader in alternative fuels it will be important not to overlook its role in the worldwide specialty chemicals industry. Biodiesel production, cellulosic ethanol technology, and in fact many aspects of the oil and gas industry are closely tied to, if not entirely based upon, chemical processes. FutureFuel Chemical's experience in the specialty chemicals industry is not just an asset, it is how we differentiate ourselves from our competition.

FutureFuel Chemical has long-lasting relationships with many of the largest companies in the chemicals industry, companies who are also leading participants in the worldwide oil and gas industry. FutureFuel Chemical's workforce comprises over 400 employees with a total of 60 degreed professionals, including 15 chemists (10 PhDs), and 36 engineers (including 10 licensed professional engineers and 17 chemical engineers). This highly talented workforce enables us to develop or adopt new technologies and to troubleshoot problems such as cold flow issues that plagued most of the industry during the winter months. Finally, and certainly not of the least importance, FutureFuel Chemical's specialty chemicals business provides sustainable cash flow and positive working capital to support growth.

We reported $150.8 million in revenues for 2006, an increase of 26% over 2005 revenues of $119.5 million. Operating income decreased moderately, from $0.6 million in 2005 to $(0.5) million in 2006. While we were disappointed that the combined entities reported an operating loss for the full year, we were pleased by the operations of FutureFuel Chemical during the final two months of the year. We believe the improved performance during this time is largely a result of reduced corporate expense allocations under FutureFuel ownership and we intend to operate the Company with a constant focus on minimizing expenses.

FutureFuel's operational success during the year was made possible by a carefully planned and well executed financing transaction in July 2006. This financing transaction not only provided FutureFuel with the appropriate structure and funding to pursue an acquisition in the oil and gas industry, it also brought us a shareholder base that shares our perspective of the changes occurring within the oil and gas industry and our vision for the opportunities these changes bring. We could not be more enthusiastic with the quality of our shareholder base and we will always seek to make decisions for the Company that are singularly aimed at creating long-term value for our investors.

FutureFuel closed 2006 with $63.1 million in cash and equivalents. At the present time, the Company intends to retain all cash to fund infrastructure and capacity expansion at FutureFuel Chemical and to pursue complimentary acquisitions in the oil and gas industry.

I would like to thank all of FutureFuel's employees for their tireless efforts throughout the last two months of 2006 and 2007 as we collectively overcame the challenges that come with the integration of any acquisition. And on behalf of all of FutureFuel's employees, I would like to thank our shareholders for their support. I look forward to reporting our continuing progress during 2008.

Paul A. Novelly
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

General Description of FutureFuel Chemical and Background of the Acquisition

FutureFuel Chemical owns approximately 2,200 acres of land six miles southeast of Batesville in north central Arkansas fronting the White River. Approximately 500 acres of the site are occupied with batch and continuous manufacturing facilities, laboratories and infrastructure, including on-site liquid waste treatment. The plant is staffed by approximately 460 non-union employees.

The Batesville Plant was constructed by Eastman Kodak Company in 1977, initially to produce proprietary photographic chemicals. Over the past 30 years the plant's business scope was broadened to include certain specialty chemicals for Eastman Chemical and, after Eastman Chemical split from Eastman Kodak Company in 1994, a more diverse portfolio of fine chemicals and organic chemical intermediates used in a variety of end markets, including paints and coatings, plastics and polymers, pharmaceuticals, food supplements, household detergents and agricultural products.

In mid 2005, Eastman Chemical decided that specialty chemicals would no longer be a core business and that it would seek to divest the Batesville Plant. Around this same time, plant management began to actively pursue new businesses in which to focus their manufacturing capabilities. Recognizing that the plant was suited relative to geography and capabilities to manufacture products for the emerging alternative fuels markets, management launched a local biobased products platform in early 2005. With minimal capital expenditures, and using local technical resources, the management team was able to initiate biodiesel batch production in October 2005 at a capacity of 3 million gallons per year. Entry into the biofuels business was accomplished with excess plant capacity and without any reduction in production of specialty chemicals.

FutureFuel was organized in late 2005 to pursue business combinations with target businesses engaged in the oil and gas industry. We began discussions with Eastman Chemical in June 2006, at which time the Batesville Plant had commercialized biodiesel and was capable of producing approximately 9 million gallons of biodiesel per year by batch processing. Upon completion of the acquisition of FutureFuel Chemical on October 31, 2006, the plant had increased biodiesel capacity to 24 million gallons per year.

Plan of Operation and Growth Strategy for the Company

Our strategy in relation to the acquired operations is to build upon and expand FutureFuel Chemical's biobased products platform and to continue FutureFuel Chemical's chemical manufacturing activities.

We initially planned to increase the plant's biodiesel capacity to 40 million gallons per year by May 2007 and to 160 million gallons per year by November 2007, with substantial complementary expenditures on infrastructure to support this increased capacity. After closing the acquisition of FutureFuel Chemical on October 31, 2006, we and, to our knowledge, the industry as a whole, witnessed a rapid erosion in margins for producing biodiesel. As a result of these decreased margins, we determined that it was not in our shareholders' best interest to proceed on an accelerated basis to increase capacity and publicly announced this on January 19, 2007. In the second quarter of 2007, crude oil prices strengthened and, despite corresponding increased in feedstock prices, we judged these and future market conditions to be supportive of biodiesel capacity expansion and therefore resumed a project to expand capacity by 35 million gallons per year (for a total capacity of 59 million gallons per year) through a new continuous processing line, projected to be operational on July 1, 2008. We have also continued with certain core infrastructure projects that we believe will bring efficiency, operational flexibility and cost savings to FutureFuel Chemical's existing biodiesel and chemical business lines. These projects include the addition of methanol recovery and biodiesel feedstock pretreatment, the construction of additional storage at the plant to support increased movements of feedstocks, methanol, glycerin and biodiesel, and the expansion of on-site rail siding and railcar loading and unloading facilities. In addition, we have acquired a fleet of tanker trucks, procured railcars, and obtained storage/thruput in strategic regional ports.

While the core of our growth strategy centers on FutureFuel Chemical's biofuels business, we believe there is also tremendous opportunity to build on and maintain FutureFuel Chemical's reputation as a technology-driven competitive chemical producer. The chemical business comprises two components: "custom manufacturing" (manufacturing chemicals for specific customers); and "performance chemicals" (multi-customer specialty chemicals).

Custom manufacturing involves producing unique products for individual customers, generally under long-term contracts. The plant's custom manufacturing product portfolio includes four large products or product families which are generally produced throughout the year: (i) nonanoyloxybenzenesulfonate ("NOBS"), a bleach activator for a major detergent manufacturer; (ii) a proprietary herbicide for a major life sciences company; (iii) chlorinated polyolefin adhesion promoters ("CPOs") for Eastman Chemical Company; and (iv) antioxidant precursors ("DIPBs") for Eastman Chemical Company. The portfolio also contains a number of smaller products which are produced intermittently in a "batch campaign" mode, for diverse customers and end markets.

The performance chemicals product lines comprise multi-customer products which are sold based upon specification and/or performance in the end-use application. This portfolio includes a family of polymer (nylon) modifiers and several small-volume specialty chemicals for diverse applications.

We believe that FutureFuel Chemical must continuously focus on cost control, operational efficiency and capacity utilization to maximize earnings. We intend to improve margins in this area of the FutureFuel Chemical business by careful management of product mix with regard to size of opportunity, timing to market, capital efficiency and matching of opportunities to assets and capabilities. We expect to derive significant growth in the performance chemicals segment primarily as a result of new biobased co-products derived from biofuels manufacturing, such as glycerin and derivatives. We also expect to capitalize on FutureFuel Chemical's market position as one of the largest independent custom chemical manufacturers in North America. FutureFuel Chemical's strong customer relationships, technical capabilities and process improvement capabilities offer us a competitive advantage in securing new contracts for custom chemical production.

Discussion of Financial Performance

Revenues for the year ended December 31, 2006 were \$150.8 million as compared to revenues for the year ended December 31, 2005 of \$119.5 million, an increase of 26%. The increase was primarily a result of selling biodiesel for the full year and increased sales of NOBS. Revenues from NOBS increased 26% due to increased demand from the customer as a result of changing consumer demand for their product. Revenues from biodiesel were \$13.3 million in 2006; 2005 biodiesel revenues were inconsequential. Revenues from the proprietary herbicide, CPOs, DIPBs and FFCC's family of polymer modifiers each changed less than 10% versus 2005 revenues. Revenues from all other products increased 26% but accounted for only 7% of total revenues in both 2005 and 2006.

The majority of FutureFuel Chemical's expenses are cost of goods sold, which reflect raw material costs as well as fixed and variable conversion costs, conversion costs being those expenses that are directly or indirectly related to operation of FutureFuel Chemical's plant. Significant conversion costs include labor, benefits, energy, supplies and maintenance and repair. Total cost of goods sold and distribution for 2006 increased 33% versus 2005, from \$105.3 million to \$139.7 million. Cost of goods sold for the chemical business actually decreased when measured as a percent of chemical revenues, from 86% in 2005 to 84% in 2006. This was offset by significantly increased cost of goods sold related to biofuels as this business utilized a significant portion of the plant's reactors and hence absorbed more of the plant's conversion costs than it was able to cover in revenues. We believe that, as FutureFuel Chemical moves its biodiesel production from primarily batch processing to more continuous processing, it will become more efficient and will produce higher volumes of biodiesel per reactor, hence absorbing fewer overhead costs per gallon produced.

Operating expenses decreased from \$13.6 million for the year ended December 31, 2005 to \$11.6 million for the year ended December 31, 2006, or approximately 15%. This decrease was primarily the result of lower corporate expense allocations from Eastman Chemical, as well at the lower overall operating expenses incurred by FutureFuel Chemical on a standalone basis.

Operating income for 2006 was $(0.5) million, down from $0.6 million in 2005. Meanwhile, cash provided by (used in) operating activities was $(4.0) million in 2006 versus $7.6 million in 2005. This decline in cash provided by operating activities was entirely attributable to the significant building of working capital accounts late in the year. FutureFuel Chemical's net working capital at the end of 2005 was $2.7 million. At the end of 2006, FutureFuel Chemical's net working capital had grown to nearly $34.0 million.

There were no significant other income or expense items during 2005 or 2006 with the exception of $3.4 million of interest income earned during 2006. Combined net income for the year totaled $2.2 million and basic earnings per share was $0.08.

With more than $60 million in cash and equivalents, we closed the year with a high degree of liquidity and a sound capital structure. We further improved our position on March 14, 2007 when we entered into a revolving credit facility with a commercial bank. The credit agreement makes up to $50 million available to FutureFuel Chemical for working capital requirements, capital expenditures and other corporate purposes. The credit agreement is secured by specific collateral, including FutureFuel Chemical's accounts receivable and inventory. Advances under the facility bear interest at rates based upon the then current prime rate or based upon the then current London interbank offered rate plus margins ranging from (1.00%) to 1.70%. Additionally, FutureFuel Chemical will pay a commitment fee of 0.25% on any used availability.

Outlook

We expect this to be a very dynamic year for the Company. FutureFuel Chemical will continue to grow its biofuels business. And in the chemicals business we are seeing strong demand for all of our custom and performance products and we are working on some very exciting new business opportunities.

We should substantially complete our infrastructure expansion later in 2007 and we are eager to begin making full use of the increased tankage, the improved rail loading and unloading facilities, and the other infrastructure additions described above to cut costs and improve efficiency in both the biofuels and chemicals businesses.

In terms of communicating our financial results to our shareholders, there is no doubt that this has been a very trying period for the Company. We believe that this period is rapidly coming to a close. The Company is diligently working with KPMG to complete the review and restatement of FutureFuel's first quarter 2007 results and the review of our second quarter 2007 results in an effort to continue our registration process with the U.S. Securities and Exchange Commission and resume the trading of our stock on AIM. The Company is grateful for your continued patience in this matter and looks forward to resuming its standard financial reporting process.

Lee E. Mikles
Chief Executive Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
FutureFuel Corp.:

We have audited the accompanying consolidated balance sheets of FutureFuel Corp. and subsidiary (the Company) as of December 31, 2006 and 2005, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year ended December 31, 2006, and for the period from August 12, 2005 (Inception) to December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FutureFuel Corp. and subsidiary as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the year ended December 31, 2006, and for the period from August 12, 2005 (Inception) to December 31, 2005; in conformity with U.S. generally accepted accounting principles.

As described in Note 2 to the consolidated financial statements, the Company has restated the accompanying consolidated financial statements as of December 31, 2006 and 2005 and for the year ended December 31, 2006 and for the period from August 12, 2005 (Inception) to December 31, 2005.

/s/ KPMG LLP

St. Louis, Missouri

April 23, 2007, except as to Note 2,
which is dated as of December 27, 2007

FutureFuel Corp.

CONSOLIDATED BALANCE SHEETS

As of December 31, 2006 and 2005
(Dollars in thousands)

	2006 (Restated)	2005 (Restated)
Assets		
Cash and cash equivalents	63,129	28
Accounts receivable, net of allowances of $42 and $0, respectively	23,903	-
Inventory	22,582	-
Current deferred income tax asset	70	-
Prepaid expenses	1,248	-
Other current assets	3,131	-
Total current assets	114,063	28
Property, plant and equipment, net	82,626	-
Noncurrent deferred income tax asset	387	-
Restricted cash and cash equivalents	3,127	-
Deferred costs	-	207
Intangible assets	548	-
Other assets	2,765	-
Total noncurrent assets	89,453	207
Total Assets	203,516	235
Liabilities and Stockholders' Equity		
Accounts payable	12,945	10
Accounts payable - related parties	112	-
Income taxes payable	1,916	-
Short term contingent consideration	191	-
Accrued expenses and other current liabilities	1,717	-
Accrued expenses and other current liabilities - related parties	40	-
Total current liabilities	16,921	10
Long term contingent consideration	2,168	-
Other noncurrent liabilities	914	-
Notes payable to related parties	-	200
Noncurrent deferred income taxes	22,357	-
Total noncurrent liabilities	25,439	200
Total Liabilities	42,360	210
Preferred stock, $0.0001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.0001 par value, 75,000,000 shares authorized, 26,700,000 issued and outstanding	3	1
Additional paid in capital	158,436	24
Retained earnings	2,717	-
Total stockholders' equity	161,156	25
Total Liabilities and Stockholders' Equity	203,516	235

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

FutureFuel Corp.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

	For the Year Ended December 31, 2006 (Restated)	For the Period from August 12, 2005 (Inception) to December 31, 2005 (Restated)
Revenues	23,043	-
Cost of goods sold	19,966	-
Distribution	133	-
Gross profit	2,944	-
Selling, general and administrative expenses	1,155	1
Selling, general and administrative expenses - related parties	104	-
Research and development expenses	923	-
	2,182	1
Income from operations	762	(1)
Interest income	3,365	1
Interest expense	(37)	-
	3,328	1
Income before income taxes	4,090	-
Provision for income taxes	1,373	-
Net income	2,717	-
Earnings per common share		
Basic	0.10	-
Diluted	0.09	-
Weighted average shares outstanding		
Basic	26,700,000	5,625,000
Diluted	31,818,772	5,625,000

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

FutureFuel Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	For the Year Ended December 31, 2006 (Restated)	For the Period from August 12, 2005 (Inception) to December 31, 2005 (Restated)
Cash flows provided by (used in) operating activities		
Net income	2,717	-
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	630	-
Provision (benefit) for deferred income taxes	(956)	-
Change in fair value of derivative instruments	447	-
Noncash interest expense	37	-
Changes in operating assets and liabilities:		
Accounts receivable	(20,434)	-
Inventory	(1,256)	-
Prepaid expenses	(1,240)	-
Other assets	653	-
Accounts payable	2,724	10
Accounts payable - related parties	112	-
Income taxes payable	1,916	-
Accrued expenses and other current liabilities	1,747	-
Accrued expenses and other current liabilities - related parties	40	-
Other noncurrent liabilities	369	-
Net cash provided by (used in) operating activities	(12,494)	10
Cash flows provided by (used in) investing activities		
Restricted cash	(3,127)	-
Collateralization of derivative instruments	(3,578)	-
Acquisition of the stock of Eastman SE, Inc.	(72,634)	-
Contingent purchase price payment	(11)	-
Capital expenditures	(3,269)	-
Net cash provided by (used in) investing activities	(82,619)	-
Cash flows provided by financing activities		
Equity offering expenditures	-	(207)
Proceeds from long-term debt - related parties	500	200
Repayment of long-term debt - related parties	(700)	-
Proceeds from the issuance of stock	169,402	25
Stock redemption	(10,988)	-
Net cash provided by financing activities	158,214	18
Net change in cash and cash equivalents	63,101	28
Cash and cash equivalents at beginning of period	28	-
Cash and cash equivalents at end of period	63,129	28

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

FutureFuel Corp.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the year ended December 31, 2006 and
For the period from August 12, 2005 (Inception) to December 31, 2005
(Dollars in thousands)

	Common stock (Restated)		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Shares	Amount	(Restated)	(Restated)	(Restated)
Balance – August 12, 2005 (Inception)	-	-	-	-	-
Common shares issued	5,000,000	1	24	-	25
Net income	-	-	-	-	-
Balance – December 31, 2005	5,000,000	1	24	-	25
Common share dividend	1,250,000	-	-	-	-
Common share cancellation	(625,000)	-	-	-	-
Equity offering	21,075,000	2	158,412	-	158,414
Net income	-	-	-	2,717	2,717
Balance - December 31, 2006 (as restated)	26,700,000	3	158,436	2,717	161,156

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

1) Nature of operations and basis of presentation

Viceroy Acquisition Corporation

Viceroy Acquisition Corporation ("Viceroy") was incorporated under the laws of the state of Delaware on August 12, 2005 to serve as a vehicle for the acquisition by way of asset acquisition, merger, capital stock exchange, share purchase or similar transaction ("Business Combination") of one or more operating businesses in the oil and gas industry. On July 12, 2006 Viceroy completed an equity offering (see Note 12).

On July 21, 2006, Viceroy entered into an acquisition agreement with Eastman Chemical Company ("Eastman Chemical") to purchase all of the issued and outstanding stock of Eastman SE, Inc. ("Eastman SE"). On October 27, 2006, a special meeting of the shareholders of Viceroy was held and the acquisition of Eastman SE was approved by the shareholders. On October 31, 2006, Viceroy acquired all of the issued and outstanding shares of Eastman SE from Eastman Chemical. Immediately subsequent to the acquisition, Viceroy changed its name to FutureFuel Corp. ("FutureFuel") and Eastman SE changed its name to FutureFuel Chemical Company ("FutureFuel Chemical").

Eastman SE, Inc.

Eastman SE was incorporated under the laws of the state of Delaware on September 1, 2005 and subsequent thereto operated as a wholly-owned subsidiary of Eastman Chemical through October 31, 2006. Eastman SE was incorporated for purposes of effecting a sale of Eastman Chemical's manufacturing facility in Batesville, Arkansas (the "Batesville Plant"). Commencing January 1, 2006, Eastman Chemical began transferring the assets associated with the business of the Batesville Plant to Eastman SE.

The Batesville Plant was constructed to produce proprietary photographic chemicals for Eastman Kodak Company ("Eastman Kodak"). Over the years, Eastman Kodak shifted the plant's focus away from the photographic imaging business to the custom synthesis of fine chemicals and organic chemical intermediates used in a variety of end markets, including paints and coatings, plastics and polymers, pharmaceuticals, food supplements, household detergents and agricultural products.

In 2005, the Batesville Plant began the implementation of a biobased products platform. This includes the production of biofuels (biodiesel, bioethanol and lignin/biomass solid fuels) and biobased specialty chemical products (biobased solvents, chemicals and intermediates). In addition to biobased products, the Batesville Plant continues to manufacture fine chemicals and other organic chemicals.

2) Restatement of consolidated financial results

On October 31, 2006, FutureFuel acquired Eastman SE. For purposes of preparing its financial statements, FutureFuel accounted for the acquisition as a reverse acquisition; FutureFuel did not apply purchase accounting to the transaction. Upon further review of the accounting for the acquisition of Eastman SE in connection with the filing of its Form 10 registration Statement, FutureFuel reassessed its accounting for the acquisition and determined that FutureFuel's financial statements should be restated to apply purchase accounting to the acquisition.

The consolidated financial statements, more specifically the consolidated balance sheet of FutureFuel and its subsidiary as of December 31, 2006 and 2005 and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2006 and for the period from August 12, 2005 (Inception) to December 31, 2005, contained herein represent the financial statements of FutureFuel restated to account for the acquisition of Eastman SE utilizing purchase accounting. The allocation of the estimated fair values of the Eastman SE assets acquired and liabilities assumed are set forth in Note 4. The restatement also affected the accompanying notes to the financial statements; the affected figures have been denoted as being restated.

The following table sets forth the consolidated balance sheet for FutureFuel, showing previously reported and restated amounts, as of December 31, 2006:

	As Previously Reported	Adjustment	As Restated
Assets			
Cash and cash equivalents	63,129	-	63,129
Accounts receivable, net of allowances of $42 and $42, respectively	23,824	79	23,903
Inventory	11,591	10,991	22,582
Current deferred income tax asset	68	2	70
Prepaid expenses	1,248	-	1,248
Other current assets	3,131	-	3,131
Total current assets	102,991	11,072	114,063
Property, plant and equipment, net	97,761	(15,135)	82,626
Noncurrent deferred income tax asset	381	6	387
Restricted cash and cash equivalents	3,127	-	3,127
Intangible assets	-	548	548
Other assets	2,764	1	2,765
Total noncurrent assets	104,033	(14,580)	89,453
Total Assets	207,024	(3,508)	203,516
Liabilities and Stockholders' Equity			
Accounts payable	12,945	-	12,945
Accounts payable – related parties	112	-	112
Income taxes payable	2,264	(348)	1,916
Short term contingent consideration	-	191	191
Accrued expenses and other current liabilities	1,717	-	1,717
Accrued expenses and other current liabilities – related parties	40	-	40
Total current liabilities	17,078	(157)	16,921
Long term contingent consideration	-	2,168	2,168
Other noncurrent liabilities	545	369	914
Noncurrent deferred income taxes	23,884	(1,527)	22,357
Total noncurrent liabilities	24,429	1,010	25,439
Total Liabilities	41,507	853	42,360
Preferred stock, $0.0001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-	-
Common stock, $0.0001 par value, 75,000,000 shares authorized, 26,700,000 issued and outstanding	3	-	3
Additional paid in capital	162,995	(4,559)	158,436
Retained earnings	2,519	198	2,717
Total stockholders' equity	165,517	(4,361)	161,156
Total Liabilities and Stockholders' Equity	207,024	(3,508)	203,516

The following table sets forth the consolidated statement of operations for FutureFuel, showing previously reported and restated amounts, for the year ended December 31, 2006:

	As Previously Reported	Adjustment	As Restated
Revenues	134,168	(111,125)	23,043
Revenues – related parties	16,602	(16,602)	-
Cost of goods sold	119,574	(99,608)	19,966
Cost of goods sold – related parties	16,602	(16,602)	-
Distribution	1,291	(1,158)	133
Gross profit	13,303	(10,359)	2,944
Selling, general and administrative expenses	6,143	(4,988)	1,155
Selling, general and administrative expenses - related parties	104	-	104
Research and development expenses	4,937	(4,014)	923
	11,184	(9,002)	2,182
Income from operations	2,119	(1,357)	762
Interest income	733	2,632	3,365
Interest expense	(37)	-	(37)
	696	2,632	3,328
Income before income taxes	2,815	1,275	4,090
Provision for income taxes	678	695	1,373
Net income	2,137	580	2,717
Earnings per common share			
Basic	0.08	0.02	0.10
Diluted	0.07	0.02	0.09
Weighted average shares outstanding			
Basic	26,700,000	26,700,000	26,700,000
Diluted	31,818,772	31,818,772	31,818,772

The following table sets forth the consolidated statements of cash flow for FutureFuel, showing previously reported and restated amounts, for the year ended December 31, 2006:

	As Previously Reported	Adjustment	As Restated
Cash flows provided by (used in) operating activities			
Net income	2,137	580	2,717
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	9,067	(8,437)	630
Provision (benefit) for deferred income taxes	516	(1,472)	(956)
Change in fair value of derivative instruments	447	-	447
Noncash environmental charges from parent	148	(148)	-
Losses on disposals of fixed assets	95	(95)	-
Noncash interest expense	37	-	37
Changes in operating assets and liabilities:			
Accounts receivable	(12,943)	(7,491)	(20,434)
Inventory	(6,761)	5,505	(1,256)
Prepaid expenses	(1,248)	8	(1,240)
Other assets	(158)	811	653
Accounts payable	5,077	(2,353)	2,724
Accounts payable - related parties	112	-	112
Income taxes payable	2,264	(348)	1,916
Accrued expenses and other current liabilities	(4,012)	5,759	1,747
Accrued expenses and other current liabilities - related parties	40	-	40
Other noncurrent liabilities	(335)	704	369
Net cash provided by (used in) operating activities	(5,517)	(6,977)	(12,494)
Cash flows provided by (used in) investing activities			
Restricted cash	(3,127)	-	(3,127)
Collateralization of derivative instruments	(3,578)	-	(3,578)
Acquisition of the stock of Eastman SE, Inc.	-	(72,634)	(72,634)
Contingent purchase price payment	-	(11)	(11)
Capital expenditures	(11,819)	8,550	(3,269)
Net cash provided by (used in) investing activities	(18,524)	(64,095)	(82,619)
Cash flows provided by financing activities			
Proceeds from long term debt – related parties	-	500	500
Repayment of long term debt – related parties	-	(700)	(700)
Proceeds from reverse acquisition	87,094	(87,094)	-
Proceeds from the issuance of stock	-	169,402	169,402
Stock redemption	-	(10,988)	(10,988)
Transfers to parent, net	76	(76)	-
Net cash provided by (used in) financing activities	87,170	71,044	158,214
Net change in cash and cash equivalents	63,129	(28)	63,101
Cash and cash equivalents at beginning of period	-	28	28
Cash and cash equivalents at end of period	63,129	-	63,129

The following table sets forth the consolidated balance sheet of FutureFuel, showing previously reported and restated amounts, as of December 31, 2005:

	As Previously Reported	Adjustment	As Restated
Assets			
Cash and cash equivalents	-	28	28
Accounts receivable, net of allowances of $0 and $0, respectively	10,881	(10,881)	-
Inventory	4,830	(4,830)	-
Current deferred income tax asset	552	(552)	-
Total current assets	16,263	(16,235)	28
Property, plant and equipment, net	95,115	(95,115)	-
Noncurrent deferred income tax asset	516	(516)	-
Deferred costs	-	207	207
Other assets	2,606	(2,606)	-
Total noncurrent assets	98,237	(98,030)	207
Total Assets	114,500	(114,265)	235
Liabilities and Stockholders' Equity			
Accounts payable	7,940	(7,930)	10
Accrued expenses and other current liabilities	5,657	(5,657)	-
Total current liabilities	13,597	(13,587)	10
Notes payable to related parties	-	200	200
Other noncurrent liabilities	843	(843)	-
Noncurrent deferred income taxes	23,987	(23,987)	-
Total noncurrent liabilities	24,830	(24,630)	200
Total Liabilities	38,427	(38,217)	210
Preferred stock, $0.0001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-	-
Common stock, $0.0001 par value, 75,000,000 shares authorized, 26,700,000 issued and outstanding	-	1	1
Net investment of parent	76,073	(76,073)	-
Additional paid in capital	-	24	24
Total stockholders' equity	76,073	(76,048)	25
Total Liabilities and Stockholders' Equity	114,500	(114,265)	235

The following table sets forth the consolidated statement of operations for FutureFuel, showing previously reported and restated amounts, for the period ended December 31, 2005:

	As Previously Reported	Adjustment	As Restated
Revenues	104,364	(104,364)	-
Revenues – related parties	15,175	(15,175)	-
Cost of goods sold	88,484	(88,484)	-
Cost of goods sold - related parties	15,175	(15,175)	-
Distribution	1,604	(1,604)	-
Gross profit	14,276	(14,276)	-
Selling, general and administrative expenses	7,662	(7,661)	1
Research and development expenses	5,975	(5,975)	-
	13,637	(13,636)	1
Income from operations	639	(640)	(1)
Interest income	-	1	1
Interest expense	(31)	31	-
	(31)	32	1
Income before income taxes	608	(608)	-
Provision for income taxes	227	(227)	-
Net income	381	(381)	-
Earnings per common share			
Basic	0.01	(0.01)	-
Diluted	0.01	(0.01)	-
Weighted average shares outstanding			
Basic	26,700,000	(21,075,000)	5,625,000
Diluted	31,818,772	(26,193,772)	5,625,000

The following table sets forth the consolidated statements of cash flows for FutureFuel, showing previously reported and restated amounts, for the period ended December 31, 2005:

	As Previously Reported	Adjustment	As Restated
Cash flows provided by (used in) operating activities			
Net income	381	(381)	-
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	8,940	(8,940)	-
Provision (benefit) for deferred income taxes	(148)	148	-
Noncash environmental credits from parent	(2,682)	2,682	-
Losses on disposals of fixed assets	67	(67)	-
Noncash interest expense	31	(31)	-
Changes in operating assets and liabilities:			
Accounts receivable	(533)	533	-
Inventory	2,121	(2,121)	-
Other assets	(382)	382	-
Accounts payable	(57)	67	10
Accrued expenses and other current liabilities	(129)	129	-
Other noncurrent liabilities	(53)	53	-
Net cash provided by (used in) operating activities	7,556	(7,546)	10
Cash flows provided by (used in) investing activities			
Proceeds from the sale of fixed assets	60	(60)	-
Capital expenditures	(6,654)	6,654	-
Net cash provided by (used in) investing activities	(6,594)	6,594	-
Cash flows provided by financing activities			
Cancelled offering expenditures	-	(207)	(207)
Proceeds from long term debt – related parties	-	200	200
Proceeds from the issuance of stock	-	25	25
Transfers to parent, net	(962)	962	-
Net cash provided by (used in) financing activities	(962)	980	18
Net change in cash and cash equivalents	-	28	28
Cash and cash equivalents at beginning of period	-	-	
Cash and cash equivalents at end of period	-	28	28

3) Significant accounting policies

Consolidation

The accompanying consolidated financial statements include the accounts of FutureFuel and its wholly-owned subsidiary, FutureFuel Chemical. All significant intercompany transactions have been eliminated.

Cash and cash equivalents

Cash equivalents consist of highly liquid investments with maturities of three months or less when purchased and are carried at cost, which approximates market.

Accounts receivable, allowance for doubtful accounts and credit risk

Accounts receivable are recorded at the invoiced amount and do not bear interest. FutureFuel has established procedures to monitor credit risk and has not experienced significant credit losses in prior years. Accounts receivable have been reduced by an allowance for amounts that may be uncollectible in the future. This estimated allowance is based upon management's evaluation of the collectibility of individual invoices and is based upon management's evaluation of the financial condition of its customers and historical bad debt experience. Write-offs are recorded at the time a customer receivable is deemed uncollectible. FutureFuel had recorded an allowance for doubtful accounts of $42 as of December 31, 2006. There was no allowance for doubtful accounts as of December 31, 2005.

Customer concentrations

Significant portions of FutureFuel's sales are made to a relatively small number of customers. All sales of nonanoyloxybenzenesulfonate ("NOBS"), a bleach activator, are made to a leading North American consumer products company pursuant to a supply contract that is set to expire in June 2008. Sales of NOBS (as restated) totaled $14,710 for the year ended December 31, 2006. Additionally, all sales of a herbicide and certain other intermediates used in the production of this herbicide are made to one customer. Sales of this herbicide and its intermediates (as restated) totaled $2,126 for the year ended December 31, 2006. These two customers represented 64% of FutureFuel's accounts receivable balance at December 31, 2006.

Inventory

FutureFuel determines the cost of substantially all raw materials and finished goods inventories by the last-in, first-out ("LIFO") method. FutureFuel writes down its inventories for estimated obsolescence or unmarketable inventory equal to the difference between the carrying value of inventory and the estimated market value based upon current demand and market conditions.

Financial and derivative instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other current liabilities approximate their fair values due to the short-term maturities of these instruments.

FutureFuel maintains inventories of biodiesel and utilizes various derivative instruments such as regulated futures and regulated options as an economic hedge to reduce the effects of fluctuations in the prices of biodiesel. These derivative instruments do not qualify for hedge accounting under the specific guidelines of Statement of Financial Accounting Standards ("SFAS") No. 133 *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 149 *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. While management believes each of these instruments are entered into in order to effectively manage various market risks, none of the derivative instruments are designated and accounted for as hedges primarily as a result of the extensive record-keeping requirements.

FutureFuel records all derivative instruments at fair value. Fair value is determined by using the closing prices of the derivative instruments on the New York Mercantile Exchange at the end of an accounting period. Changes in fair value of the derivative instruments are recorded in the statements of operations as a component of cost of goods sold. FutureFuel maintains a margin account with a broker to collateralize these derivative instruments.

Property, plant and equipment

Property, plant and equipment is carried at cost. Maintenance and repairs are charged to earnings; replacements and betterments are capitalized. When FutureFuel retires or otherwise disposes of assets, it removes the cost of such asset and related accumulated depreciation from the accounts. FutureFuel records any profit and loss on retirement or other disposition in earnings. Asset impairments are reflected as increases in accumulated depreciation. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and building equipment	20 – 39 years
Machinery and equipment	3 – 33 years
Transportation equipment	5 – 33 years
Other	5 – 33 years

Customer relationships

Customer relationships are recorded at acquisition cost and are amortized on a straight-line basis over their estimated useful lives of 5 years. FutureFuel reviews and evaluates the recoverability of the carrying amounts of its acquired customer contracts annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Restricted cash and cash equivalents

Restricted cash and cash equivalents include cash and cash equivalents reserved for purposes of meeting certain Arkansas Department of Environmental Quality requirements that become applicable in the event of a closure of the Batesville Plant. The amount of cash reserved for this purpose is based on a formula derived by the state of Arkansas and totaled $3,127 at December 31, 2006. No cash was restricted in periods prior to December 31, 2006.

Impairment of assets

FutureFuel evaluates the carrying value of long-lived assets when events or changes in circumstances indicate that the carrying value may not be recoverable. Such events and circumstances include, but are not limited to, significant decreases in the market value of the asset, adverse changes in the extent or manner in which the asset is being used, significant changes in business climate, or current or projected cash flow losses associated with the use of the assets. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows from such assets are separately identifiable and are less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. For long-lived assets to be held for use in future operations and for fixed (tangible) assets, fair value is determined primarily using either the projected cash flows discounted at a rate commensurate with the risk involved or appraisal. For long-lived assets to be disposed of by sale or other than sale, fair value is determined in a similar manner, except that fair values are reduced for disposal costs.

Asset retirement obligations

FutureFuel establishes reserves for closure/post-closure costs associated with the environmental and other assets it maintains. Environmental assets include but are not limited to waste management units such as incinerators, landfills, storage tanks and boilers. When these types of assets are constructed or installed, a reserve is established for the future costs anticipated to be associated with the closure of the site based on an expected life of the environmental assets, the applicable regulatory closure requirements and FutureFuel's environmental policies and practices. These expenses are charged into earnings over the estimated useful life of the assets. Currently, FutureFuel estimates the useful life of each individual asset up to 35 years. Changes made in estimates of the asset retirement obligation costs or the estimate of the useful lives of these assets are reflected in earnings as an increase or decrease in the period such changes are made.

Environmental costs are capitalized if they extend the life of the related property, increase its capacity and/or mitigate or prevent future contamination. The cost of operating and maintaining environmental control facilities is charged to expense.

Deferred income taxes

Income taxes are accounted for using the asset and liability method. Under this method, income tax assets and liabilities are recognized for temporary differences between financial statement carrying amounts of assets and liabilities and their respective income tax basis. A future income tax asset or liability is estimated for each temporary difference using enacted and substantively enacted income tax rates and laws expected to be in effect when the asset is realized or the liability settled. A valuation allowance is established, if necessary, to reduce any future income tax asset to an amount that is more likely than not to be realized.

Revenue recognition

Revenue from product sales are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price to the customer is fixed or determinable and collectibility is reasonably assured.

Shipping and handling fees

Shipping and handling fees related to sales transactions are billed to customers and recorded as sales revenues.

Cost of goods sold and selling, general and administration expense

Cost of goods sold includes the costs of inventory sold, related purchasing, distribution and warehousing costs, costs incurred for shipping and handling, and environmental remediation costs.

Selling, general and administration expense includes personnel costs associated with sales, marketing and administration, legal and legal-related costs, consulting and professional services fees, advertising expenses, and other similar costs.

Research and development

All costs identified as research and development costs are charged to expense when incurred.

Planned major maintenance activities

Expenditures for planned major maintenance activities are recognized as expense as incurred.

Earnings per share

Basic earnings per share is computed by dividing net income (the numerator) by the weighted average number of outstanding shares (the denominator) for the period. Diluted earnings per share are calculated in accordance with the treasury stock method to determine the dilutive effect of warrants and options. The computation of diluted earnings per share includes the same numerator, but the denominator is increased to include the number of additional common shares from the exercise of warrants and options that would have been outstanding if potentially dilutive common shares had been issued.

The weighted average basic and diluted shares outstanding for the years ended December 31, 2006 and from August 12, 2005 (Inception) through December 31, 2005 have been calculated assuming that all shares outstanding at December 31, 2006, net of those shares whose holders exercised their repurchase rights as described in Note 12, were outstanding for all periods presented. The dilutive impact of the warrants, as described in Note 12, was calculated based upon the trading activity of FutureFuel's common stock from July 13, 2006 to December 31, 2006.

Comprehensive income (loss)

As it has not historically recognized any other comprehensive income (loss), the comprehensive income (loss) of FutureFuel is comprised entirely of its net income (loss).

Commitments and contingent liabilities

In the ordinary course of its business, FutureFuel enters into supply and sales contracts as deemed commercially desirable. Supply contracts are utilized to ensure the availability of raw materials used in the production process. Sales contracts are utilized to ensure the future sale of produced product.

FutureFuel and its operations from time to time may be parties to or targets of lawsuits, claims, investigations and proceedings including product liability, personal injury, patent and intellectual property, commercial, contract, environmental, health and safety and environmental matters, which are handled and defended in the ordinary course of business. FutureFuel accrues a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When a single amount cannot be reasonably estimated but the cost can be estimated within a range, FutureFuel accrues the minimum amount.

Use of estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during a reporting period. Estimates are used when accounting for allowance for doubtful accounts, depreciation, amortization, asset retirement obligations and income taxes as well as the evaluation of potential losses due to impairments or future liabilities. Actual results could differ materially from those estimates.

Segment Reporting

FutureFuel identifies operating segments when separate financial information is available that is evaluated regularly by its chief operating decision maker in assessing the performance of those segments and in determining how to allocate resources. FutureFuel has determined that it has two reportable segments organized along product lines -- chemicals and biofuels.

4) Business combination

FutureFuel was incorporated on August 12, 2005 to serve as a vehicle for a Business Combination of one or more operating businesses in the oil and gas industry. In 2006 FutureFuel identified such an operating business in Eastman SE. Eastman SE, as owner of the Batesville Plant, began the implementation of a biobased products platform, including the production of biofuels (biodiesel, bioethanol and lignin/biomass solid fuels) and biobased specialty products (biobased lubricants, solvents and intermediates). In addition to the biobased products platform, the Batesville Plant has continued the custom synthesis of fine chemicals and other organic chemicals. On October 31, 2006, FutureFuel acquired all of the issued and outstanding shares of Eastman SE from Eastman Chemical for cash consideration and $0.02 per gallon of biodiesel sold by FutureFuel during the three-year period commencing on November 1, 2006 and ending on October 31, 2009. Immediately subsequent to its acquisition, Eastman SE changed its name to FutureFuel Chemical. The results of FutureFuel Chemical have been included in FutureFuel's results of operations since October 31, 2006. After purchase price adjustments to date, a price of $70,970 was paid for the stock of Eastman SE. Contingent purchase price payments to Eastman Chemical based on volumes of biodiesel sold totaled $11 through December 31, 2006. The contingent purchase price payments offset a contingent consideration liability that FutureFuel booked as of the closing date of the acquisition.

The following table summarizes the preliminary estimated fair values of the Eastman SE assets acquired and liabilities assumed and related deferred income taxes as of the acquisition date:

	Eastman SE
Assets acquired	
Current assets	24,804
Property, plant and equipment	79,968
Noncurrent deferred income tax asset	373
Intangible assets subject to amortization	567
Other assets	3,211
Total assets	108,923
Liabilities assumed	
Current liabilities	10,353
Long-term contingent consideration	2,198
Other noncurrent liabilities	508
Noncurrent deferred income taxes	23,230
Total liabilities	36,289
Net assets acquired	72,634

In the allocation of the fair values of the assets acquired and liabilities assumed, FutureFuel determined there was a balance of $2,370 of negative goodwill. As the purchase of Eastman SE provided for contingent consideration to be paid to Eastman Chemical, the negative goodwill has been allocated to contingent consideration.

FutureFuel has not identified any material unrecorded pre-acquisition contingencies where the related asset, liability or impairment is probable and the amount can be reasonably estimated. Prior to the end of the one-year purchase price allocation period, if information becomes available which would indicate it is probable that such events had occurred and the amounts can be reasonably estimated, such items may be included in the final purchase price allocation.

The following unaudited pro forma consolidated results of operations assume that the acquisition of Eastman SE was completed as of January 1 for each of the fiscal years shown below:

	2006	2005
Revenues	150,770	119,539
Net income	5,142	3,769
Basic earnings per share	0.19	0.14
Diluted earnings per share	0.16	0.12

Pro-forma data may not be indicative of the results that would have been obtained had these events actually occurred at the beginning of the periods presented, nor does it intend to be a projection of future results.

5) Inventories

The carrying values of inventory were as follows as of December 31:

	2006 (Restated)	2005 (Restated)
At first-in, first-out or average cost (approximates current cost)		
Finished goods	7,943	-
Work in process	1,750	-
Raw materials and supplies	12,894	-
	22,587	-
LIFO reserve	(5)	-
Total inventories	22,582	-

6) Derivative instruments

The volumes and carrying values of FutureFuel's derivative instruments were as follows at December 31:

	Asset/(Liability)			
	2006		2005	
	Quantity (000 bbls) Long/(Short)	Fair Market Value	Quantity (000 bbls) Long/(Short)	Fair Market Value
Regulated fixed price future commitments, included in prepaid expenses and other current assets	(250)	(28)	-	-
Regulated options, included in prepaid expenses and other current assets	(100)	(419)	-	-

The margin account maintained with a broker to collateralize these derivative instruments carried an account balance of $3,578 at December 31, 2006, and is classified as other current assets in the consolidated balance sheet. This margin account carried no balance at December 31, 2005. The carrying values of the margin account and of the derivative instruments are included in other current assets and comprise the entire account balance.

7) Property, plant and equipment

Property, plant and equipment consisted of the following at December 31:

	2006 (Restated)	2005 (Restated)
Land and land improvements	4,260	-
Buildings and building equipment	19,037	-
Machinery and equipment	54,797	-
Construction in progress	5,143	-
Accumulated depreciation	(611)	-
	82,626	-

Depreciation expense totaled $611 (as restated) for the year ended December 31, 2006 and $0 (as restated) for the period from August 12, 2005 (Inception) to December 31, 2005.

8) Other assets

Other assets is comprised of spare equipment and parts that have not been placed into service as of the balance sheet date and are not expected to be placed into service for the twelve-month period subsequent to the balance sheet date. The balance related to these items totaled $2,765 and $0 (as restated) at December 31, 2006 and 2005, respectively.

9) Accrued expenses and other current liabilities

Accrued expenses and other current liabilities, including those associated with related parties, consisted of the following at December 31:

	2006	2005 (Restated)
Accrued employee liabilities	773	-
Accrued property, use and franchise taxes	373	-
Accrued professional fees	340	-
Amounts collected on behalf of Eastman Chemical	178	-
Other	93	-
	1,757	-

10) Asset retirement obligations and environmental reserves

The Batesville Plant generates hazardous and non-hazardous wastes, the treatment, storage, transportation and disposal of which are regulated by various governmental agencies. In addition, the Batesville Plant may be required to incur costs for environmental and closure and post closure costs under the Resource Conservation and Recovery Act ("RCRA"). FutureFuel's reserve for asset retirement obligations and environmental contingencies was $545 and $0 (as restated) as of December 31, 2006 and 2005, respectively.

The following table summarizes the activity of accrued obligations for asset retirement obligations:

	For the Year Ended December 31, 2006	For the Period from August 12, 2005 (Inception) to December 31, 2005 (Restated)
Beginning balance	-	-
Batesville Plant acquisition opening balance	508	-
Accretion expense	37	-
Balance at December 31	545	-

11) Deferred taxes

The following table summarizes the provision for income taxes:

	For the Year Ended December 31, 2006 (Restated)	For the Period from August 12, 2005 (Inception) to December 31, 2005 (Restated)
Income before taxes - U.S.	4,090	-
Provision/(benefit) for income taxes:		
Current	1,818	-
Deferred	(687)	-
State and other		
Current	466	-
Deferred	(224)	-
Total	1,373	-

Differences between the provision for income taxes computed using the U.S. federal statutory income tax rate were as follows:

	For the Year Ended December 31, 2006 (Restated)	For the Period from August 12, 2005 (Inception) to December 31, 2005 (Restated)
Amount computed using the statutory rate of 34%	1,390	-
Section 199 manufacturing deduction	(33)	-
Agri-biodiesel production credit	(78)	-
State income taxes, net	94	-
Provision for income taxes	1,373	-

The significant components of deferred tax assets and liabilities were as follows as of December 31:

	2006 (Restated)	2005 (Restated)
Deferred tax assets		
Vacation pay	52	-
Allowance for doubtful accounts	16	-
Inventory reserves	175	-
Asset retirement obligation	214	-
Total deferred tax assets	457	-
Deferred tax liabilities		
Derivative instruments	(45)	-
LIFO inventory	(4,312)	-
Intangible assets	(215)	-
Depreciation	(17,829)	-
Total deferred tax liabilities	(22,401)	-
Net deferred tax liabilities	(21,944)	-
As recorded in the consolidated balance sheet		
Current deferred income tax asset	70	-
Noncurrent deferred income tax asset	387	-
Accrued expenses and other current liabilities	(44)	-
Noncurrent deferred income tax liability	(22,357)	-
Net deferred income tax liabilities	(21,944)	-

12) Stockholders' equity

On July 12, 2006, Viceroy completed an offering of 22,500,000 units. Each unit consisted of one share of Viceroy's common stock and one warrant to acquire one share. The units were issued at $8.00 per unit. In connection with this offering, the shares and warrants issued were listed on the Alternative Investment Market ("AIM") maintained by the London Stock Exchange plc. The net proceeds of this offering totaled $172,500 and were placed into a trust fund. All or a portion of the trust fund was to be released for, among other things, a Business Combination approved by the holders of Viceroy's common stock. Moreover, the trust fund was to be released in its entirety upon the completion of a Business Combination which, either on its own or when combined with all previous Business Combinations, had an aggregate transaction value of at least 50% of the initial trust amount (which initial trust amount excluded certain deferred placing fees).

Certain of the Viceroy shareholders who purchased units in the July 12, 2006 offering were granted repurchase rights whereby at the time Viceroy sought approval for a Business Combination these shareholders could vote against the Business Combination and require Viceroy to repurchase their common shares for $7.667 per common share plus accrued interest earned on the offering proceeds held in trust net of expenses and income taxes payable on the interest earned. Shareholders who exercised their repurchase rights retained all rights to any warrants that they may have held.

On July 12, 2006, Viceroy and its founding shareholders entered into a registration rights agreement pursuant to which the holders of the majority of founding shares and shares of common stock included in the units purchased in Viceroy's July 2006 offering by a director or his designees are entitled to make up to two demands that Viceroy register with the SEC their founding shares and the shares included in the units purchased in Viceroy's July 2006 offering. The holders of the majority of such shares can elect to exercise these registration rights at any time after the date on which Viceroy has become a reporting company under the Securities Exchange Act of 1934 ("Securities Act"), as amended, and such shares have been released from any applicable escrow agreement and lock-in deeds. In addition, those shareholders have certain "piggyback" registration rights on registration statements filed subsequent to the date on which such shares are released from escrow or other lock up arrangements. Viceroy agreed to bear the expenses incurred in connection with the filing of any such registration statements. There are 11,250,000 shares of Viceroy's common stock subject to this registration rights agreement.

On July 12, 2006, Viceroy entered into an investor rights agreement with each of KBC Peel Hunt Ltd, Viceroy's Nominated Advisor on the AIM, and CRT Capital Group LLC, Viceroy's placing agent, for the benefit of the holders of its shares of common stock and warrants in which Viceroy agreed, at its cost, to provide "piggyback" registration rights as to any shares of its common stock that are not, at the time, freely saleable identical to the "piggyback" registration rights of the founding shareholders described above, plus the right to piggyback on any registration statement filed pursuant to the founding shareholders' demand registration rights described above, provided that in the event such piggyback rights are exercised in an underwritten offering, the number of shares of Viceroy's common stock registered will be subject to a cutback, pro rata with the founding shareholders, if the underwriter so requires. There are 15,450,000 shares of Viceroy's common stock subject to this investor rights agreement.

In addition, the July 12, 2006 investor rights agreement stipulates that Viceroy has agreed, at its cost, to file with the SEC no later than the 180th day after the date of a consummation of a Business Combination which, either on its own or when combined with all previous Business Combinations, had an aggregate transaction value of at least 50% of the initial trust amount (which initial trust amount excluded certain deferred placing fees) ("Registration Trigger"), a registration statement ("Exchange Act Registration Statement") on Form 10 to register its common shares. Additionally, Viceroy agreed to use commercially reasonable efforts to cause the Exchange Act Registration Statement to become effective under the Securities Act no later than 270 days after the Registration Trigger and use reasonable commercial efforts promptly upon effectiveness of the Exchange Act Registration Statement to list the common shares of Viceroy on the American Stock Exchange, the New York Stock Exchange, NASDAQ or a similarly recognized trading platform in the United States. Viceroy did not make any assurances that any such listing application would be accepted.

If the Exchange Act Registration Statement was not declared effective on or prior to the 270th day after the date of the Registration Trigger ("Registration Default"), Viceroy would have paid liquidated damages to each holder of its common stock issued in connection with its July 2006 offering. The liquidated damages would have been:

- paid to each holder in the form of common stock in Viceroy in an amount equal to 0.5% per month of the number of each holder's common shares in Viceroy;
- payable promptly after the occurrence of the Registration Default, but in no event later than two days after the end of the month in which the Registration Default has occurred;
- payable within two days of the end of each month, until the Registration Default has been cured, provided that a pro rata payment shall be made with respect to a month a portion of which Viceroy has been in default; and
- payable for a maximum of 12 months.

The investors rights agreement provided that the liquidated damages specified above were the only exclusive remedy available to holders of Viceroy's common shares for any failure by Viceroy to comply with the requirements of the investors rights agreement.

On April 24, 2007, Viceroy filed the Exchange Act Registration Statement. On June 23, 2007, the Exchange Act Registration Statement became effective. This was prior to the 270^{th} day after the date of the Registration trigger. Consequently, no liquidated damages, as described above, were paid.

Viceroy has also agreed to use reasonable commercial efforts to maintain its listing on the AIM for at least two years.

At the October 27, 2006 special meeting of the shareholders of Viceroy, the acquisition of Eastman SE by Viceroy was approved by the shareholders of Viceroy. Shareholders owning 1,425,000 common shares of Viceroy voted against the acquisition and exercised their repurchase rights. Accordingly, such shares are deemed to be held for redemption, are not deemed to be outstanding, and are not included in equity in the post-acquisition period. The repurchase price totaled $7.71 per share, calculated as $7.667 plus $0.043 of accrued interest earned on the offering proceeds held in trust net of expenses and income taxes payable on the interest earned per share. Pursuant to the terms of the July 12, 2006 offering, the repurchase price was payable by Viceroy only when those shareholders who exercised their repurchase rights surrendered to Viceroy their common share certificates. Through December 31, 2006, shareholders owing 1,175,000 common shares of FutureFuel had surrendered their shares to FutureFuel and FutureFuel had paid an aggregate $9,059 to repurchase these shares. At December 31, 2006, FutureFuel remained obligated to repurchase 250,000 common shares at the $7.71 per share repurchase price. The $1,928 payable to these shareholders remains in trust and is subject to distribution to the shareholders upon proper presentation of the related stock certificates.

As discussed in Note 1, immediately subsequent to the acquisition Viceroy changed its name to FutureFuel Corp. and Eastman SE changed its name to FutureFuel Chemical Company.

At December 31, 2006, 5,000,000 shares of $0.0001 par value preferred stock and 75,000,000 shares of $0.0001 a par value common stock were authorized. At December 31, 2006, no preferred shares were outstanding and 26,700,000 common shares were issued and outstanding.

At December 31, 2006, 22,500,000 warrants to purchase common shares of FutureFuel were issued and outstanding. Each warrant is exercisable for one common share of FutureFuel at an exercise price of $6.00 per warrant. These warrants are only settleable through physical delivery of the common share certificate and expire July 12, 2010.

13) Intangible assets

In connection with its acquisition of Eastman SE, a certain portion of the purchase price was allocated to the intangible asset customer relationships. Customer relationships consisted of the following at December 31:

	2006 (Restated)	2005 (Restated)
Cost	567	-
Accumulated amortization	(19)	-
	548	-

Amortization expense totaled $19 (as restated) for the year ended December 31, 2006 and $0 (as restated) for the period from August 12, 2005 (Inception) through December 31, 2005. FutureFuel estimates that aggregate amortization expense for 2008 to 2011 will be $113 and that aggregate amortization expense in 2012 will be $96.

14) Earnings per share

The computation of basic and diluted earnings per common share was as follows:

	For the Year Ended December 31, 2006 (Restated)	For the Period from August 12, 2005 (Inception) to December 31, 2005 (Restated)
Net income available to common stockholders	2,717	-
Weighted average number of common shares outstanding	26,700,000	5,625,000
Effect of warrants	5,118,772	-
Weighted average diluted number of common shares outstanding	31,818,772	5,625,000
Basic earnings per share	0.10	-
Diluted earnings per share	0.09	-

15) Employee benefit plans

Defined contribution savings plan

FutureFuel currently offers its employees a defined contribution savings plan, which covers substantially all employees. Under this plan, FutureFuel matches the amount of employee contributions, subject to specified limits. Plan related expenses totaled $120 for the year ended December 31, 2006. No expense related to this plan was incurred from August 12, 2005 (Inception) to December 31, 2005.

16) Related party transactions

FutureFuel enters into transactions with companies affiliated with or controlled by a director and significant shareholder.

FutureFuel leases oil storage capacity from an affiliate under a storage and thruput agreement. This agreement provides for the storage of biodiesel, biodiesel/petrodiesel blends, palm oil, methanol and other biodiesel feedstocks in above-ground storage tankage at designated facilities of the affiliate. Lease expense related to this agreement totaled $9 for the year ended December 31, 2006. No expense was incurred from August 12, 2005 (Inception) to December 31, 2005.

FutureFuel entered into a commodity trading advisor agreement with an affiliate. Pursuant to the terms of this agreement the affiliate provides advice to FutureFuel concerning the purchase, sale, exchange, conversion and/or hedging of commodities as FutureFuel may request from time to time. Expenditures related to this agreement totaled $20 in the year ended December 31, 2006. No expenses were incurred for this contract from August 12, 2005 (Inception) to December 31, 2005.

FutureFuel entered into a railcar sublease agreement with an affiliate. Pursuant to the terms of this sublease, FutureFuel leases from the affiliate railcars upon the same terms, conditions and price the affiliate leases the railcars. Lease terms for individual railcars begin upon delivery of the railcars. No railcars had been received through December 31, 2006 under this agreement. As such, no expenditures were incurred.

FutureFuel reimburses an affiliate for travel and other administrative services incurred on its behalf. Such reimbursement is performed at cost with the affiliate realizing no profit on the transaction. These reimbursements totaled $123 in 2006. No such reimbursements occurred from August 12, 2005 (Inception) to December 31, 2005.

At December 31, 2005, FutureFuel had unsecured promissory notes payable to shareholders (one of these shareholders was an officer and director of FutureFuel and the other was affiliated with one) of $200 in aggregate. The loans were non-interest bearing and were payable upon the consummation of a Business Combination. Due to the short-term nature of the notes, the fair value of the notes approximated their carrying value. These notes were repaid in November 2006 in connection with the consummation of the acquisition of Eastman SE.

Accounts payable included $112 and accrued expenses and other current liabilities included $40 due to related parties at December 31, 2006.

As new payment instructions were adopted by FutureFuel Chemical's customers subsequent to its acquisition by FutureFuel, Eastman Chemical collected trade accounts receivable on FutureFuel Chemical's behalf. These collections were subsequently remitted to FutureFuel Chemical. At December 31, 2006, Eastman Chemical had collected $3,046 of trade accounts receivable on FutureFuel Chemical's behalf.

17) Segment information

FutureFuel has determined that is has two reportable segments organized along product lines – chemicals and biofuels. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 3.

Chemicals

FutureFuel's chemicals segment manufactures diversified chemical products that are sold externally to third party customers and to Eastman Chemical. This segment comprises two components: "custom manufacturing" (manufacturing chemicals for specific customers); and "performance chemicals" (multi-customer specialty chemicals).

Biofuels

FutureFuel's biofuels business segment manufactures and markets biodiesel. Biodiesel commercialization was achieved in October 2005 at the Batesville Plant. Biodiesel revenues are generally derived in one of two ways. Revenues are generated under tolling agreements whereby customers supply key biodiesel feed stocks which FutureFuel then converts into biodiesel at the Batesville Plant in exchange for a fixed price processing charge per gallon of biodiesel produced. Revenues are also generated through the sale of biodiesel to customers through FutureFuel's distribution network at the Batesville Plant and through distribution facilities available at a leased oil storage facility near Little Rock, Arkansas at negotiated prices.

Summary of long-lived assets and revenues by geographic area

All of FutureFuel's long-lived assets are located in the U.S.

Most of FutureFuel's sales are transacted with title passing at the time of shipment from the Batesville Plant, although some sales are transacted based on title passing at the delivery point. While many of FutureFuel's chemicals are utilized to manufacture products that are shipped, further processed and/or consumed throughout the world, the chemical products, with limited exceptions, generally leave the United States only after ownership has transferred from FutureFuel to the customer. Rarely is FutureFuel the exporter of record, never is FutureFuel the importer of record into foreign countries and FutureFuel is not always aware of the exact quantities of its products that are moved into foreign markets by its customers. FutureFuel does track the addresses of its customers for invoicing purposes and uses this address to determine whether a particular sale is within or without the United States. FutureFuel's revenues for the year ended December 31, 2006 and from August 12, 2005 (Inception) to December 31, 2005 attributable to the United States and foreign countries (based upon the billing addresses of its customers) were as follows:

Fiscal Year	United States (Restated)	All Foreign Countries (Restated)	Total
December 31, 2006	21,474	1,569	23,043
August 12, 2005 (Inception) to December 31, 2005	-	-	-

For the year ended December 31, 2006, revenues from Mexico accounted for 7% of total revenues. Other than Mexico, revenues from a single foreign country during 2006 did not exceed 1% of total revenues. From August 12, 2005 (Inception) to December 31, 2005 no revenues were derived from any foreign country.

Summary of business by segment

	For the Year Ended December 31, 2006 (Restated)	For the Period from August 12, 2005 (Inception) to December 31, 2005 (Restated)
Revenues		
Chemicals	21,282	-
Biofuels	1,761	-
Revenues	23,043	-
Segment gross margins		
Chemicals	6,054	-
Biofuels	(3,110)	-
Segment gross margins	2,944	-
Corporate expenses	(2,182)	(1)
Income (loss) before interest and taxes	762	(1)
Interest income	3,365	1
Interest expense	(37)	-
Provision for income taxes	(1,373)	-
Net income	2,717	-

Depreciation is allocated to segment costs of goods sold based on plant usage. The total assets and capital expenditures of FutureFuel have not been allocated to individual segments as large portions of these assets are shared to varying degrees by each segment, causing such an allocation to be of little value.

18) Commitments

Lease agreements

FutureFuel has entered into lease agreements for oil storage capacity and railcars. Minimum rental commitments under existing noncancellable operating leases as of December 31, 2006 were as follows:

2007	318
2008	287
2009	108
2010	45
2011	45
Thereafter	37
	840

Lease expenses totaled $9 (as restated) for the year ended December 31, 2006 and $0 (as restated) from August 12, 2005 (Inception) to December 31, 2005.

Purchase obligations

FutureFuel has entered into contracts for the purchase of goods and services including contracts for the expansion of FutureFuel's biodiesel related infrastructure, the development, implementation and maintenance of an enterprise resource planning computer software package, the purchase of biodiesel related feedstocks and the licensing of a chemical modeling software product.

Deferred payments to Eastman Chemical

In connection with the purchase of shares of Eastman SE, FutureFuel agreed to pay Eastman Chemical $0.02 per gallon of biodiesel sold by FutureFuel during the three-year period commencing on October 31, 2006 and ending on October 31, 2009. Payments to Eastman Chemical in 2006 for this agreement totaled $11.

19) Recently issued accounting standards

In July 2006, the FASB issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes—an Interpretation of SFAS 109 Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. Under FIN 48, the financial statements will reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without considering time values. FIN 48 also revises disclosure requirements and introduces a prescriptive, annual, tabular roll-forward of the unrecognized tax benefits. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 did not have a material effect on the consolidated financial position, liquidity or results of operations of FutureFuel.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which addresses the measurement of fair value by companies when they are required to use a fair value measure for recognition or disclosure purposes under GAAP. SFAS No. 157 provides a common definition of fair value to be used throughout GAAP which is intended to make the measurement of fair value more consistent and comparable and improve disclosures about those measures. With the exception of other non-financial assets and liabilities, SFAS No. 157 will be effective for an entity's financial statements issued for fiscal years beginning after November 15, 2007. With respect to other non-financial assets and liabilities, the Financial Accounting Standards Board has provided a one-year implementation deferral. FutureFuel is currently evaluating the effect SFAS No. 157 will have on its consolidated financial position, liquidity, and results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115*. SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value at specified election dates. Upon adoption, an entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Most of the provisions apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities with available for sale and trading securities. SFAS No. 159 will be effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. FutureFuel is currently evaluating the effect SFAS No. 159 will have on its consolidated financial position, liquidity, and results of operations.

20) Subsequent events

Share redemption

In January 2007 the last remaining shareholders who exercised their repurchase rights relinquished their stock certificates to FutureFuel and FutureFuel subsequently paid the $1,928 repurchase price to these shareholders from the trust.

Customer dispute

A customer of FutureFuel Chemical has indicated it has been billed on certain products for amounts aggregating up to $1,400 in excess of their management's interpretation of the appropriate billings under their contract with FutureFuel Chemical since the second quarter of 2004. FutureFuel has evaluated the position asserted by the customer and the arrangements under the contract and has determined that they do not believe there have been any excess billings or overpayments under this contract. As a result, management intends to vigorously defend against any such claim if made by the customer. In addition, to the extent such a liability exists, FutureFuel believes it has a right under the Acquisition Agreement between itself and Eastman Chemical to assert a claim with respect to amounts related to periods prior to October 31, 2006.

Credit agreement (unaudited)

On March 14, 2007, FutureFuel Chemical entered into a revolving credit agreement with a commercial bank. This credit agreement makes up to $50,000 available to FutureFuel Chemical for working capital requirements, capital expenditures and other general corporate purposes. This credit agreement is secured by specific collateral, including FutureFuel Chemical's accounts receivable and inventory. The maximum availability under this credit agreement at any point in time is determined based upon a borrowing base calculation, which is in turn based upon the eligible accounts receivable and inventory balances of FutureFuel Chemical. The credit agreement contains financial and non-financial restrictive covenants, which, among other things, require FutureFuel Chemical to maintain a certain ratio of debt to earnings before interest, taxes, depreciation and amortization.

Advances under the credit facility bear interest, payable monthly, at rates based upon the then current prime rate or based upon the then current London interbank offered rate plus margins ranging from (1.00%) to 1.70%. Additionally, FutureFuel Chemical will pay a commitment fee of 0.25% on any unused availability. This credit agreement matures on March 14, 2010.

FutureFuel unconditionally guaranteed any and all indebtedness and obligations of FutureFuel Chemical to the commercial bank under this credit agreement.

Purchase price settlement (unaudited)

In 2007, FutureFuel received $2,891 (plus interest thereon) from Eastman Chemical as satisfaction of certain agreed-to purchase price adjustments for the settlement of the working capital adjustment stemming from the October 31, 2006 acquisition of Eastman SE. A receivable from Eastman Chemical was included in the consolidated balance sheet of FutureFuel at December 31, 2006 in anticipation of this payment from Eastman Chemical.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
FutureFuel Corp.:

We have audited the accompanying balance sheets of FutureFuel Chemical Company (the Company), formerly known as Eastman SE, Inc., as of December 31, 2005 and 2004, and the related statements of operations, changes in stockholder's equity, and cash flows for the ten months ended October 31, 2006 and for each of the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FutureFuel Chemical Company, formerly known as Eastman SE, Inc., as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the ten months ended October 31, 2006 and for each of the years ended December 31, 2005 and 2004, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

St. Louis, Missouri
December 27, 2007

FutureFuel Chemical Company, formerly known as Eastman SE, Inc.

BALANCE SHEETS

As of December 31, 2005 and 2004
(Dollars in thousands, except per share amounts)

	Predecessor	
	December 31, 2005	December 31, 2004
Assets		
Accounts receivable, net of allowances of, $0 and $0, respectively	10,881	10,348
Inventory	4,830	6,951
Current deferred income tax asset	552	601
Prepaid expenses and other current assets	-	-
Total current assets	16,263	17,900
Property, plant and equipment, net	95,115	97,468
Noncurrent deferred income tax asset	516	572
Other assets	2,606	2,224
Total noncurrent assets	98,237	100,264
Total Assets	114,500	118,164
Liabilities and Stockholder's Equity		
Accounts payable	7,940	7,997
Accrued expenses and other current liabilities	5,657	5,786
Total current liabilities	13,597	13,783
Other noncurrent liabilities	843	865
Noncurrent deferred income taxes	23,987	24,240
Total noncurrent liabilities	24,830	25,105
Total Liabilities	38,427	38,888
Net investment of parent	76,073	79,276
Total stockholder's equity	76,073	79,276
Total Liabilities and Stockholder's Equity	114,500	118,164

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

FutureFuel Chemical Company, formerly known as Eastman SE, Inc.

STATEMENTS OF OPERATIONS

For the Ten Months Ended October 31, 2006 and the Years Ended December 31, 2005 and 2004
(Dollars in thousands, except per share amounts)

	Predecessor		
	Ten Months Ended October 31, 2006	Year Ended December 31, 2005	2004
Revenues	111,125	104,364	127,945
Revenues - related parties	16,602	15,175	16,212
Cost of goods sold	101,816	88,484	130,097
Cost of goods sold - related parties	16,602	15,175	16,212
Distribution	1,158	1,604	1,499
Gross profit (loss)	8,151	14,276	(3,651)
Selling, general and administrative expenses	5,403	7,662	10,854
Research and development expenses	3,996	5,975	9,919
	9,399	13,637	20,773
Income (loss) from operations	(1,248)	639	(24,424)
Interest expense	-	(31)	(37)
	-	(31)	(37)
Income (loss) before income taxes	(1,248)	608	(24,461)
Provision (benefit) for income taxes	(773)	227	(9,594)
Net income (loss)	(475)	381	(14,867)

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

FutureFuel Chemical Company, formerly known as Eastman SE, Inc.

STATEMENTS OF CASH FLOWS

For the Ten Months Ended October 31, 2006 and the Years Ended December 31, 2005 and 2004
(Dollars in thousands)

		Predecessor	
	Ten Months Ended October 31, 2006	Year Ended December 31, 2005	2004
Cash flows provide by operating activities			
Net income (loss)	(475)	381	(14,867)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Asset impairment charges	-	-	18,305
Depreciation	7,531	8,940	10,218
Provision (benefit) for deferred income taxes	601	(148)	(6,017)
Noncash environmental charges (credits) from parent	148	(2,682)	(1,266)
Losses on disposals of fixed assets	95	67	402
Changes in operating assets and liabilities:			
Accounts receivable	7,412	(533)	896
Inventory	(2,413)	2,121	10,586
Prepaid expenses and other current assets	(38)	-	-
Other assets	(606)	(382)	(233)
Accounts payable	2,271	(57)	1,102
Accrued expenses and other current liabilities	(5,657)	(129)	7
Other noncurrent liabilities	(335)	(22)	(89)
Net cash provided by operating activities	8,534	7,556	19,044
Cash flows used in investing activities			
Proceeds from the sale of fixed assets	-	60	-
Capital expenditures	(8,549)	(6,654)	(6,520)
Net cash used in investing activities	(8,549)	(6,594)	(6,520)
Cash flows provided by (used in) financing activities			
Transfers to parent, net	15	(962)	(12,524)
Net cash provided by (used in) financing activities	15	(962)	(12,524)
Net change in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of period	-	-	-
Cash and cash equivalents at end of period	-	-	-

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

FutureFuel Chemical Company, formerly known as Eastman SE, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

For the Ten Months Ended October 31, 2006 and the Years Ended December 31, 2005 and 2004
(Dollars in thousands)

	Predecessor	
	Net Investment of Parent	Total Stockholder's Equity
Balance - December 31, 2003	107,933	107,933
Net income (loss)	(14,867)	(14,867)
Net transfers to parent	(13,790)	(13,790)
Balance - December 31, 2004	79,276	79,276
Net income	381	381
Net transfers to parent	(3,584)	(3,584)
Balance - December 31, 2005	76,073	76,073
Net income (loss)	(475)	(475)
Net transfers to parent	153	153
Balance - October 31, 2006	75,751	75,751

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

NOTES TO THE FINANCIAL STATEMENTS

(Dollars in thousands)

1) Nature of operations and basis of presentation

Eastman SE, Inc.

Eastman SE, Inc. ("Eastman SE") was incorporated under the laws of the state of Delaware on September 1, 2005 and subsequent thereto operated as a wholly-owned subsidiary of Eastman Chemical Company ("Eastman Chemical") through October 31, 2006. Eastman SE was incorporated for purposes of effecting a sale of Eastman Chemical's manufacturing facility in Batesville, Arkansas (the "Batesville Plant"). Commencing January 1, 2006, Eastman Chemical began transferring the assets associated with the business of the Batesville Plant to Eastman SE.

The Batesville Plant was constructed to produce proprietary photographic chemicals for Eastman Kodak Company ("Eastman Kodak"). Over the years, Eastman Kodak shifted the plant's focus away from the photographic imaging business to the custom synthesis of fine chemicals and organic chemical intermediates used in a variety of end markets, including paints and coatings, plastics and polymers, pharmaceuticals, food supplements, household detergents and agricultural products.

In 2005, the Batesville Plant began the implementation of a biobased products platform. This includes the production of biofuels (biodiesel, bioethanol and lignin/biomass solid fuels) and biobased specialty chemical products (biobased solvents, chemicals and intermediates). In addition to biobased products, the Batesville Plant continues to manufacture fine chemicals and other organic chemicals.

Viceroy Acquisition Corporation

Viceroy Acquisition Corporation ("Viceroy") was incorporated under the laws of the state of Delaware on August 12, 2005 to serve as a vehicle for the acquisition by way of asset acquisition, merger, capital stock exchange, share purchase or similar transaction ("Business Combination") of one or more operating businesses in the oil and gas industry.

On July 21, 2006, Viceroy entered into an acquisition agreement with Eastman Chemical to purchase all of the issued and outstanding stock of Eastman SE. On October 27, 2006, a special meeting of the shareholders of Viceroy was held and the acquisition of Eastman SE was approved by the shareholders. On October 31, 2006, Viceroy acquired all of the issued and outstanding shares of Eastman SE from Eastman Chemical. Immediately subsequent to the acquisition, Viceroy changed its name to FutureFuel Corp. ("FutureFuel") and Eastman SE changed its name to FutureFuel Chemical Company ("FutureFuel Chemical").

Basis of Presentation

Through October 31, 2006, the operations of the Batesville Plant were included in the consolidated financial statements of Eastman Chemical. Accordingly, the accompanying balance sheets, statements of operations and related statements of cash flows have been prepared from Eastman Chemical's historical accounting records and are presented on a carve-out basis to include the historical financial position, results of operations and cash flows applicable to Eastman SE through October 31, 2006. As a result of the lack of capital structure of Eastman SE prior to October 31, 2006, the net investment of the parent has been presented in lieu of stockholder's equity. These financial statements are presented as the predecessor financial statements to FutureFuel. The financial statements for Eastman SE do not reflect the application of purchase accounting and are presented on a different cost basis than periods following the acquisition and, therefore, are not comparable.

Corporate Allocations

The financial statements of Eastman SE include allocations of certain corporate services provided by Eastman Chemical's management, including finance, legal, information systems, human resources and distribution. Eastman Chemical has utilized its experience with the business of the Batesville Plant and its judgment in allocating such corporate services and other support to the periods prior to October 31, 2006. Costs allocated for such services were:

	Ten Months Ended October 31, 2006	Year Ended December 31, 2005	2004
Cost of goods sold	-	99	1,275
Distribution	438	874	818
Selling, general and administrative	4,398	5,327	7,776
Research and development	652	2,388	6,094
Total cost and expenses allocated	5,488	8,688	15,963

Allocations were made to cost of goods sold, distribution and selling, general and administrative expenses primarily based on a percentage of revenues and allocations to research and development expenditures were made primarily on actual time and effort incurred, which management believes represents reasonable allocation methodologies. These allocations and estimates are not necessarily indicative of the costs and expenses that would have resulted if Eastman SE had been operating as a separate entity.

Eastman Chemical used a centralized approach to cash management, hedging and the financing of its operations. As a result, debt and related interest income and expense, and certain cash and cash equivalents, were maintained at the corporate office and are not included in the accompanying consolidated financial statements. In addition, allocations related to LIFO inventories were made on the basis of the specific attributes of the inventories and related products sold by Eastman SE.

2) Significant accounting policies

Accounts receivable, allowance for doubtful accounts and credit risk

Accounts receivable are recorded at the invoiced amount and do not bear interest. Eastman SE has established procedures to monitor credit risk and has not experienced significant credit losses in prior years. Accounts receivable have been reduced by an allowance for amounts that may be uncollectible in the future. This estimated allowance is based upon management's evaluation of the collectibility of individual invoices and is based upon management's evaluation of the financial condition of its customers and historical bad debt experience. Write-offs are recorded at the time a customer receivable is deemed uncollectible. There was an allowance for doubtful accounts of $0 and $0 at December 31, 2005 and 2004, respectively.

Through October 31, 2006, Eastman SE participated in an agreement that allowed Eastman Chemical to sell certain domestic accounts receivable under a planned continuous sale program to a third party. The agreement permitted the sale of undivided interests in domestic trade accounts receivable, which Eastman Chemical continued to service until collection. As the sale program was part of Eastman Chemical's centralized approach to cash management, Eastman SE's $7,888 participation at December 31, 2005 is classified as accounts receivable in the accompanying consolidated balance sheet with the corresponding liability included in the net investment of parent.

Customer concentrations

Significant portions of Eastman SE's sales are made to a relatively small number of customers. All sales of nonanoyloxybenzenesulfonate ("NOBS"), a bleach activator, are made to a leading North American consumer products company pursuant to a supply contract that is set to expire in June 2008. Sales of NOBS totaled $69,982, $66,959 and $73,607 for the ten months ended October 31, 2006 and for the years ended December 31, 2005 and 2004, respectively. Additionally, all sales of a herbicide and certain other intermediates used in the production of this herbicide are made to one customer. Sales of this herbicide and its intermediates totaled $21,559, $25,063 and $27,946 for the ten months ended October 31, 2006 and the years ended December 31, 2005 and 2004, respectively. These two customers represented approximately 88% of Eastman SE's accounts receivable balance at December 31, 2005. Eastman SE assigned nearly 100% of the receivables from these two customers at October 31, 2006 to Eastman Chemical.

Inventory

Eastman SE determines the cost of substantially all raw materials and finished goods inventories by the last-in, first-out ("LIFO") method. Eastman SE writes down its inventories for estimated obsolescence or unmarketable inventory equal to the difference between the carrying value of inventory and the estimated market value based upon current demand and market conditions.

Financial and derivative instruments

The carrying values of accounts receivable, accounts payable and accrued expenses and other current liabilities approximate their fair values due to the short-term maturities of these instruments.

Property, plant and equipment

Property, plant and equipment is carried at cost. Maintenance and repairs are charged to earnings; replacements and betterments are capitalized. When Eastman SE retires or otherwise disposes of assets, it removes the cost of such asset and related accumulated depreciation from the accounts. Eastman SE records any profit and loss on retirement or other disposition in earnings. Asset impairments are reflected as increases in accumulated depreciation. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and building equipment	20 – 50 years
Machinery and equipment	3 – 33 years
Transportation equipment	5 – 33 years
Other	5 – 33 years

Impairment of assets

Eastman SE evaluates the carrying value of long-lived assets when events or changes in circumstances indicate that the carrying value may not be recoverable. Such events and circumstances include, but are not limited to, significant decreases in the market value of the asset, adverse changes in the extent or manner in which the asset is being used, significant changes in business climate, or current or projected cash flow losses associated with the use of the assets. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows from such assets are separately identifiable and are less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. For long-lived assets to be held for use in future operations and for fixed (tangible) assets, fair value is determined primarily using either the projected cash flows discounted at a rate commensurate with the risk involved or appraisal. For long-lived assets to be disposed of by sale or other than sale, fair value is determined in a similar manner, except that fair values are reduced for disposal costs.

Asset retirement obligations

Eastman SE establishes reserves for closure/post-closure costs associated with the environmental and other assets it maintains. Environmental assets include but are not limited to waste management units such as incinerators, landfills, storage tanks and boilers. When these types of assets are constructed or installed, a reserve is established for the future costs anticipated to be associated with the closure of the site based on an expected life of the environmental assets, the applicable regulatory closure requirements and Eastman SE's environmental policies and practices. These expenses are charged into earnings over the estimated useful life of the assets. Currently, Eastman SE estimates the useful life of each individual asset up to 35 years. Changes made in estimates of the asset retirement obligation costs or the estimate of the useful lives of these assets are reflected in earnings as an increase or decrease in the period such changes are made.

Environmental costs are capitalized if they extend the life of the related property, increase its capacity and/or mitigate or prevent future contamination. The cost of operating and maintaining environmental control facilities is charged to expense.

Income taxes

Through October 31, 2006, Eastman SE was included in the consolidated federal tax return of Eastman Chemical. For purposes of the financial results presented up to that date, the provision for income taxes has been prepared using the separate return method. As Eastman SE did not file a separate federal tax return prior to October 31, 2006 and no tax sharing agreement was in place, any amounts payable or receivable were actually due to or receivable from Eastman Chemical and are included in the net investment of parent and transfers to parent.

Income taxes are accounted for using the asset and liability method. Under this method, income tax assets and liabilities are recognized for temporary differences between financial statement carrying amounts of assets and liabilities and their respective income tax basis. A future income tax asset or liability is estimated for each temporary difference using enacted and substantively enacted income tax rates and laws expected to be in effect when the asset is realized or the liability settled. A valuation allowance is established, if necessary, to reduce any future income tax asset to an amount that is more likely than not to be realized.

Revenue recognition

Revenue from product sales are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price to the customer is fixed or determinable and collectibility is reasonably assured.

Through October 31, 2006, certain sales from Eastman SE to then affiliated companies, such as Eastman Chemical, were recorded with no margin based on the interdivision arrangements.

Shipping and handling fees

Shipping and handling fees related to sales transactions are billed to customers and recorded as sales revenues.

Cost of goods sold and selling, general and administration expense

Cost of goods sold includes the costs of inventory sold, related purchasing, distribution and warehousing costs, costs incurred for shipping and handling, and environmental remediation costs.

Selling, general and administration expense includes personnel costs associated with sales, marketing and administration, legal and legal-related costs, consulting and professional services fees, advertising expenses, and other similar costs.

Research and development

All costs identified as research and development costs are charged to expense when incurred.

Planned major maintenance activities

Expenditures for planned major maintenance activities are recognized as expense as incurred.

Comprehensive income (loss)

As it has not historically recognized any other comprehensive income (loss), the comprehensive income (loss) of Eastman SE is comprised entirely of its net income (loss). As Eastman SE recognizes revenues, expenses, gains or losses that, under accounting principles generally accepted in the U.S., are included in comprehensive income but excluded from net income, these items will be recognized as a component of other comprehensive income in its financial statements.

Commitments and contingent liabilities

In the ordinary course of its business, Eastman SE enters into supply and sales contracts as deemed commercially desirable. Supply contracts are utilized to ensure the availability of raw materials used in the production process. Sales contracts are utilized to ensure the future sale of produced product.

Eastman SE and its operations from time to time may be parties to or targets of lawsuits, claims, investigations and proceedings including product liability, personal injury, patent and intellectual property, commercial, contract, environmental, health and safety and environmental matters, which are handled and defended in the ordinary course of business. Eastman SE accrues a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When a single amount cannot be reasonably estimated but the cost can be estimated within a range, Eastman accrues the minimum amount.

Use of estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during a reporting period. Estimates are used when accounting for allowance for doubtful accounts, depreciation, amortization, asset retirement obligations and income taxes as well as the evaluation of potential losses due to impairments or future liabilities. Actual results could differ materially from those estimates.

Segment Reporting

Eastman SE identifies operating segments when separate financial information is available that is evaluated regularly by its chief operating decision maker in assessing the performance of those segments and in determining how to allocate resources. Eastman SE has determined that it has two reportable segments organized along product lines – chemicals and biofuels.

3) Inventories

The carrying values of inventory were as follows as of:

	December 31, 2005	December 31, 2004
At first-in, first-out or average cost (approximates current cost)		
Finished goods	5,818	7,834
Work in process	1,587	1,585
Raw materials and supplies	9,842	6,821
	17,247	16,240
LIFO reserve	(12,417)	(9,289)
Total inventories	4,830	6,951

4) Property, plant and equipment

Property, plant and equipment consisted of the following at:

	December 31, 2005	December 31, 2004
Land	1,345	1,345
Buildings and building equipment	47,301	47,240
Machinery and equipment	403,051	398,971
Construction in progress	2,538	2,680
Accumulated depreciation	(359,120)	(352,768)
	95,115	97,468

Depreciation expense totaled $7,531, $8,940 and $10,218 for the ten months ended October 31, 2006 and the years ended December 31, 2005 and 2004, respectively.

5) Other assets

Other assets is comprised of spare equipment and parts that have not been placed into service as of the balance sheet date and are not expected to be placed into service for the twelve-month period subsequent to the balance sheet date. The balance related to these items totaled $2,606 and $2,224 at December 31, 2005 and 2004, respectively.

6) Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following at:

	December 31, 2005	December 31, 2004
Accrued employee liabilities	4,238	4,264
Accrued property, use and franchise taxes	1,419	1,522
	5,657	5,786

7) Asset retirement obligations and environmental reserves

The Batesville Plant generates hazardous and non-hazardous wastes, the treatment, storage, transportation and disposal of which are regulated by various governmental agencies. In addition, the Batesville Plant may be required to incur costs for environmental and closure and post closure costs under the Resource Conservation and Recovery Act ("RCRA").

The following table summarizes the activity of accrued obligations for asset retirement obligations for the period ended:

	December 31, 2005	December 31, 2004
Beginning balance at January 1	474	612
Accretion expense	31	37
Revisions in estimates	8	(175)
Balance	513	474

In addition, certain closure and post-closure liabilities were not transferred to the Batesville Plant and were retained by Eastman Chemical. These liabilities related to the operations of the Batesville Plant, charges (credits) of $148, $(2,682) and $(1,266) for the ten months ended October 31, 2006 and the years ended December 31, 2005 and 2004, respectively, were included in cost of goods sold within the accompanying consolidated statements of operations.

8) Income taxes

The following table summarizes the provision for income taxes for the periods ended:

	Ten Months Ended October 31, 2006	Year Ended December 31, 2005	2004
Income (loss) before taxes - U.S.	(1,248)	608	(24,461)
Provision/(benefit) for income taxes:			
Current	(1,238)	313	(2,983)
Deferred	511	(132)	(5,370)
State and other			
Current	(136)	62	(593)
Deferred	90	(16)	(648)
Total	(773)	227	(9,594)

Differences between the provision for income taxes computed using the U.S. federal statutory income tax rate were as follows as of:

	Ten Months Ended October 31, 2006	Year Ended December 31, 2005	2004
Amount computed using the statutory rate of 35%	(437)	213	(8,561)
Section 199 manufacturing deduction	-	(10)	-
Agri-biodiesel production credit	(303)	-	-
State income taxes, net	(33)	24	(1,033)
Provision for income taxes	(773)	227	(9,594)

The significant components of deferred tax assets and liabilities were as follows as of:

	December 31, 2005	December 31, 2004
Deferred tax assets		
Vacation pay	258	317
Inventory reserves	279	338
Separation and retirement allowances	191	169
Deferred compensation	129	153
Asset retirement obligation	211	196
Total deferred tax assets	1,068	1,173
Deferred tax liabilities		
Depreciation	(23,987)	(24,240)
Total deferred tax liabilities	(23,987)	(24,240)
Net deferred tax liabilities	(22,919)	(23,067)
As recorded in the consolidated balance sheet		
Current deferred income tax asset	552	601
Noncurrent deferred income tax asset	516	572
Noncurrent deferred income tax liability	(23,987)	(24,240)
Net deferred income tax liabilities	(22,919)	(23,067)

9) Impairments and severance charges

Impairments and severance charges totaled approximately $2,462 and $19,485 in the years ended December 31, 2005 and 2004, respectively. These charges consisted of severance charges of $2,462 in the year ended December 31, 2005 and non-cash asset impairment charges and severance charges of $18,305 and $1,180, respectively, in the year ended December 31, 2004.

Eastman SE recognized $2,462 and $1,180 in severance charges in the years ended December 31, 2005 and 2004, respectively, from ongoing cost reduction efforts related to employee separation programs announced in April 2004.

In 2004, Eastman SE recognized asset impairments of approximately $18,305 related to assets at the Batesville Plant. This impairment primarily relates to the closure of specific fixed assets used to manufacture certain performance chemicals product lines that were divested by Eastman Chemical. The related assets were deemed to be impaired, were determined to have no disposal value and remained at the Batesville Plant.

No impairment charges or severance costs were incurred in the ten months ended October 31, 2006.

10) Employee benefit plans

Eastman Chemical maintains certain deferred benefit plans that provide eligible employees, including those who have been a part of the operations of Eastman SE, with retirement benefits. For the purposes of the their presentation within the financial statements of Eastman SE, costs recognized for these benefits are allocated based on the employee participants and are summarized based on the following component plans.

Defined benefit pension plans

Eastman Chemical maintains defined benefit plans that provide eligible employees, which included those of the Batesville Plant, retirement benefits. Costs recognized for these benefits are recorded using estimated amounts, which may change as actual costs derived for the year are determined.

Defined contribution plans

Eastman Chemical sponsors a defined contribution employee stock ownership plan (the "ESOP") in which the employees of the Batesville Plant participated while they were employed by Eastman Chemical. The ESOP is a qualified plan under Section 401(a) of the Internal Revenue Code, which is a component of the Eastman Investment Plan and Employee Stock Ownership Plan ("EIP/ESOP").

Postretirement welfare plans

Eastman Chemical provides life insurance and health care benefits for eligible retirees, and health care benefits for retirees' eligible survivors in the United States.

Eastman SE was allocated $3,005 of expense related to these employee benefit plans for the ten months ended October 31, 2006 and $4,386 and $4,435 for the years ended December 31, 2005 and 2004, respectively. Eastman Chemical aggregated the cost of defined benefit and defined contribution plans and a breakout between the two is not available for financial reporting at the plant level.

11) Related party transactions

In addition to receiving support services such as research and development, legal, finance, treasury, income tax, public relations, executive management functions, and certain other administrative services from Eastman Chemical or Eastman Chemical affiliates through October 31, 2006, Eastman SE purchased a significant portion of its raw materials and sold a significant portion of its product produced to Eastman Chemical or affiliates of Eastman Chemical. Purchases of raw materials from affiliates of Eastman Chemical totaled $5,789 for the ten months ended October 31, 2006 and $5,014 and $4,115 for the years ended December 31, 2005 and 2004, respectively. Sales of Eastman SE products to Eastman Chemical or affiliates of Eastman Chemical totaled $5,952 for the ten months ended October 31, 2006 and $2,493 and $1,396 for the years ended December 31, 2005 and 2004, respectively.

Historically, Eastman SE processed certain products for Eastman Chemical or Eastman Chemical affiliates for which the ownership of the product had not been transferred to Eastman SE. Eastman SE historically processed such products on a cost basis without recognizing a selling margin. As the risks and rewards of ownership were not transferred to Eastman SE, the related inventories, revenues and costs have not been reflected in the accompanying financial statements. The financial statements include the cost of processing and the corresponding revenue received for processing such products. The costs of product processed on behalf of Eastman Chemical or Eastman Chemical affiliates totaled $10,650 for the ten months ended October 31, 2006 and $12,682 and $14,816 for the years ended December 31, 2005 and 2004, respectively.

Inventories of $4,103 were held by FutureFuel on behalf of Eastman Chemical or Eastman Chemical affiliates as of December 31, 2005.

Through October 31, 2006, all receivables and payables due to or from Eastman Chemical or Eastman Chemical affiliates were included in the net investment of parent.

12) Segment information

Eastman SE has determined that is has two reportable segments organized along product lines – chemicals and biofuels. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2.

Chemicals

Eastman SE's chemicals segment manufactures diversified chemical products that are sold externally to third party customers and to Eastman Chemical. This segment comprises two components: "custom manufacturing" (manufacturing chemicals for specific customers); and "performance chemicals" (multi-customer specialty chemicals).

Biofuels

Eastman SE's biofuels business segment manufactures and markets biodiesel. Biodiesel commercialization was achieved in October 2005. Biodiesel revenues are generally derived in one of two ways. Revenues are generated under tolling agreements whereby customers supply key biodiesel feed stocks which Eastman SE then converts into biodiesel at the Batesville Plant in exchange for a fixed price processing charge per gallon of biodiesel produced. Revenues are also generated through the sale of biodiesel to customers through Eastman SE's distribution network at the Batesville Plant and through distribution facilities available at a leased oil storage facility near Little Rock, Arkansas at negotiated prices.

Summary of long-lived assets and revenues by geographic area

All of Eastman SE's long-lived assets are located in the U.S.

Most of Eastman SE's sales are transacted with title passing at the time of shipment from the Batesville Plant, although some sales are transacted based on title passing at the delivery point. While many of Eastman SE's chemicals are utilized to manufacture products that are shipped, further processed and/or consumed throughout the world, the chemical products, with limited exceptions, generally leave the United States only after ownership has transferred from Eastman SE to the customer. Rarely is Eastman SE the exporter of record, never is Eastman SE the importer of record into foreign countries and Eastman SE is not always aware of the exact quantities of its products that are moved into foreign markets by its customers. Eastman SE does track the addresses of its customers for invoicing purposes and uses this address to determine whether a particular sale is within or without the United States. Eastman SE's revenues for the ten months ended October 31, 2006 and for the years ended December 31, 2005 and 2004 attributable to the United States and foreign countries (based upon the billing addresses of its customers) were as follows:

Period Ended	United States	All Foreign Countries	Total
October 31, 2006	110,419	17,308	127,727
December 31, 2005	105,719	13,820	119,539
December 31, 2004	138,636	5,521	144,157

For the year ended December 31, 2004, revenues from a single foreign country did not exceed 2% of total revenues. Beginning in 2005, Eastman SE began invoicing Procter & Gamble International Operations Mexico, D.F. directly, at which time revenues from Mexico became a material component of total revenues. For the year ended December 31, 2005 and for the ten months ended October 31, 2006, revenues from Mexico accounted for 10% and 12%, respectively, of total revenues. Other than Mexico, revenues from a single foreign country during 2005 and 2006 did not exceed 1% of total revenues.

Summary of business by segment

	Ten Months Ended October 31,	Year Ended December 31,	
	2006	2005	2004
Revenues			
Chemicals	116,148	119,539	144,157
Biofuels	11,579	-	-
Total Revenues	127,727	119,539	144,157
Segment gross margins			
Chemicals	16,124	16,837	17,108
Biofuels	(7,973)	-	-
Segment gross margins	8,151	16,837	17,108
Corporate expenses	(9,399)	(16,198)	(41,532)
Income (loss) before interest and taxes	(1,248)	639	(24,424)
Interest expense	-	(31)	(37)
Provision for income taxes	773	(227)	9,594
Net income (loss)	(475)	381	(14,867)

No biofuels were sold by Eastman SE in 2004. Eastman SE's 2005 biofuel revenues and related gross margin were inconsequential. Due to the inconsequential nature of the amounts, 2005 biofuel gross margin has been included in the chemicals gross margin for that year.

Depreciation is allocated to segment costs of goods sold based on plant usage. The total assets and capital expenditures of Eastman SE have not been allocated to individual segments as large portions of these assets are shared to varying degrees by each segment, causing such an allocation to be of little value.

13) Commitments

Lease agreements

Eastman SE historically had entered into lease agreements for information technology equipment and railcars. Lease expenses totaled $106, $182 and $181 for the ten months ended October 31, 2006 and the years ended December 31, 2005 and 2004, respectively. Eastman SE terminated its lease commitments in anticipation of the acquisition by Viceroy and had no minimum rental commitments under existing noncancellable operating leases as of October 31, 2006.

Purchase obligations

Eastman SE has entered into contracts for the purchase of goods and services including contracts for the expansion of its biodiesel related infrastructure, the purchase of biodiesel related feedstocks and the licensing of a chemical modeling software product.

CORPORATE INFORMATION

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**Mr. Hommert has tendered his resignation as director effective January 14, 2008*

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Printed in Canada