

## Financial Statements.

The following sets forth our unaudited consolidated balance sheet as at September 30, 2009, our audited consolidated balance sheet as at December 31, 2008, our unaudited consolidated statements of operations and comprehensive income for the three- and nine-month periods ended September 30, 2009 and September 30, 2008, and our consolidated statements of cash flows for the nine-month periods ended September 30, 2009 and September 30, 2008.

**FutureFuel Corp.**  
**Consolidated Balance Sheets**  
**As at September 30, 2009 and December 31, 2008**  
**(Dollars in thousands)**

	(Unaudited) September 30, 2009	December 31, 2008
<b>Assets</b>		
Cash and cash equivalents	\$ 73,134	\$ 27,455
Accounts receivable, net of allowances of \$4 in 2008	23,134	20,048
Accounts receivable – related parties	24	-
Inventory	31,345	27,585
Income taxes receivable	-	792
Prepaid expenses	441	1,294
Marketable debt and auction rate securities	2,800	46,411
Other current assets	738	4,751
Total current assets	<u>131,616</u>	<u>128,336</u>
Property, plant and equipment, net	119,376	106,320
Intangible assets	236	321
Other assets	2,874	3,149
Total noncurrent assets	<u>122,486</u>	<u>109,790</u>
<b>Total Assets</b>	<u>\$ 254,102</u>	<u>\$ 238,126</u>
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable	\$ 12,028	\$ 13,332
Accounts payable - related parties	153	422
Income taxes payable	2,576	-
Current deferred income tax liability	3,528	4,151
Short term contingent consideration	1,654	1,936
Accrued expenses and other current liabilities	4,911	2,251
Accrued expenses and other current liabilities - related parties	20	20
Total current liabilities	<u>24,870</u>	<u>22,112</u>
Deferred revenue	9,416	9,994
Other noncurrent liabilities	1,361	1,243
Noncurrent deferred income tax liability	24,163	23,140
Total noncurrent liabilities	<u>34,940</u>	<u>34,377</u>
<b>Total Liabilities</b>	<u>59,810</u>	<u>56,489</u>
Commitments and contingencies		
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, 28,190,300 issued and outstanding	3	3
Accumulated other comprehensive income	-	15
Additional paid in capital	167,139	167,524
Retained earnings	27,150	14,095
Total stockholders' equity	<u>194,292</u>	<u>181,637</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 254,102</u>	<u>\$ 238,126</u>

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

**FutureFuel Corp.**  
**Consolidated Statements of Operations and Comprehensive Income**  
**For the Three Months Ended September 30, 2009 and 2008**  
(Dollars in thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>
Revenues	\$ 52,263	\$ 57,183
Revenues – related parties	-	3,402
Cost of goods sold	36,839	44,611
Cost of goods sold – related parties	635	3,950
Distribution	1,139	1,144
Gross profit	<u>13,650</u>	<u>10,880</u>
Selling, general and administrative expenses		
Compensation expense	729	652
Other expense	382	385
Related party expense	43	38
Research and development expenses	1,111	1,079
	<u>2,265</u>	<u>2,154</u>
Income from operations	<u>11,385</u>	<u>8,726</u>
Interest income	36	671
Interest expense	(5)	(6)
Loss on foreign currency	-	(89)
Loss on sale of marketable debt securities	-	(460)
Other income	12	-
	<u>43</u>	<u>116</u>
Income before income taxes	11,428	8,842
Provision for income taxes	4,044	3,453
Net income	<u>\$ 7,384</u>	<u>\$ 5,389</u>
Earnings per common share		
Basic	\$ 0.26	\$ 0.20
Diluted	\$ 0.25	\$ 0.19
Weighted average shares outstanding		
Basic	28,190,300	26,787,609
Diluted	29,191,106	28,821,986
<b>Comprehensive Income</b>		
Net income	\$ 7,384	\$ 5,389
Other comprehensive loss, net of tax of \$(52) in 2008	-	(87)
Comprehensive income	<u>\$ 7,384</u>	<u>\$ 5,302</u>

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

**FutureFuel Corp.**  
**Consolidated Statements of Operations and Comprehensive Income**  
**For the Nine Months Ended September 30, 2009 and 2008**  
(Dollars in thousands, except per share amounts)  
(Unaudited)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>
Revenues	\$ 132,939	\$ 150,299
Revenues – related parties	892	3,402
Cost of goods sold	101,464	119,544
Cost of goods sold – related parties	3,132	5,532
Distribution	3,357	2,713
Gross profit	<u>25,878</u>	<u>25,912</u>
Selling, general and administrative expenses		
Compensation expense	2,021	1,980
Other expense	1,278	938
Related party expense	156	142
Research and development expenses	3,110	3,042
	<u>6,565</u>	<u>6,102</u>
Income from operations	<u>19,313</u>	<u>19,810</u>
Interest income	325	2,286
Interest expense	(19)	(17)
Gain (loss) on foreign currency	(3)	293
Loss on the sale of marketable debt securities	-	(377)
Other income (expense)	(7)	6
	<u>296</u>	<u>2,191</u>
Income before income taxes	19,609	22,001
Provision for income taxes	6,554	7,539
Net income	<u>\$ 13,055</u>	<u>\$ 14,462</u>
Earnings per common share		
Basic	\$ 0.46	\$ 0.54
Diluted	\$ 0.46	\$ 0.53
Weighted average shares outstanding		
Basic	28,190,300	26,729,416
Diluted	28,529,213	27,419,338
<b>Comprehensive Income</b>		
Net income	\$ 13,055	\$ 14,462
Other comprehensive loss, net of tax of \$(9) in 2009 and \$(35) in 2008	(15)	(58)
Comprehensive income	<u>\$ 13,040</u>	<u>\$ 14,404</u>

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

**FutureFuel Corp.**  
**Consolidated Statements of Cash Flows**  
**For the Nine Months Ended September 30, 2009 and 2008**  
(Dollars in thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2009	2008
Cash flows provided by operating activities		
Net income	\$ 13,055	\$ 14,462
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,545	4,180
Provision for deferred income taxes	400	829
Change in fair value of derivative instruments	(1,322)	1,669
Gain on the sale of investments	-	377
Accretion of the discount of marketable debt securities	-	(103)
(Gains) losses on disposals of fixed assets	(2)	10
Stock based compensation	-	411
Noncash interest expense	16	16
Changes in operating assets and liabilities:		
Accounts receivable	(3,086)	(2,865)
Accounts receivable – related parties	(24)	-
Inventory	(3,760)	(1,806)
Income taxes receivable	792	(1,126)
Prepaid expenses	853	866
Accrued interest on marketable debt securities	5	50
Other assets	(201)	1,043
Accounts payable	(1,304)	1,587
Accounts payable – related parties	(269)	350
Income taxes payable	2,576	(1,231)
Accrued expenses and other current liabilities	2,660	769
Deferred revenue	(578)	7,461
Other noncurrent liabilities	101	80
Net cash provided by operating activities	<u>15,457</u>	<u>27,029</u>
Cash flows from investing activities		
Restricted cash	-	3,263
Collateralization of derivative instruments	5,719	(2,240)
Purchase of marketable securities	(19,999)	(56,807)
Proceeds from the sale of marketable securities	35,972	39,557
Sales (purchases) of auction rate securities, net	12,185	(25,600)
Proceeds from the sale of commercial paper	15,424	-
Proceeds from the sale of fixed assets	17	8
Acquisition of a granary	(1,252)	-
Contingent purchase price payment	(282)	(218)
Capital expenditures	(17,177)	(13,177)
Net cash provided by (used in) investing activities	<u>30,607</u>	<u>(55,214)</u>
Cash flows from financing activities		
Proceeds from line of credit	-	343
Proceeds from the issuance of stock	-	592
Purchase of warrants	(385)	-
Excess tax benefits associated with stock options	-	22
Net cash provided by (used in) financing activities	<u>(385)</u>	<u>957</u>
Net change in cash and cash equivalents	45,679	(27,228)
Cash and cash equivalents at beginning of period	27,455	54,655
Cash and cash equivalents at end of period	<u>\$ 73,134</u>	<u>\$ 27,427</u>
Cash paid for interest	<u>\$ 5</u>	<u>\$ 1</u>
Cash paid for taxes	<u>\$ 2,922</u>	<u>\$ 8,967</u>

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

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

1) Nature of operations and basis of presentation

*FutureFuel Corp.*

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 of one or more operating businesses in the oil and gas industry. On July 12, 2006 Viceroy completed an equity offering.

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.

The accompanying consolidated financial statements have been prepared by FutureFuel in accordance and consistent with the accounting policies stated in FutureFuel's 2008 audited consolidated financial statements and should be read in conjunction with the 2008 audited consolidated financial statements of FutureFuel. Certain prior year balances have been reclassified to conform with the current year presentation.

In the opinion of FutureFuel, all normal recurring adjustments necessary for a fair presentation have been included in the unaudited consolidated financial statements. The unaudited consolidated financial statements have been prepared in compliance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") accounting principles generally accepted in the United States for interim financial information and with instructions to Form 10-Q adopted by the Securities and Exchange Commission ("SEC"). Accordingly, the financial statements do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements, and do include amounts that are based upon management estimates and judgments. Future actual results could differ from such current estimates. The unaudited consolidated financial statements include assets, liabilities, revenues and expenses of FutureFuel and its wholly owned subsidiary, FutureFuel Chemical. Intercompany transactions and balances have been eliminated in consolidation.

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

2) Inventories

The carrying values of inventory were as follows as of:

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
At first-in, first-out or average cost (approximates current cost)		
Finished goods	\$ 16,175	\$ 15,634
Work in process	1,747	1,800
Raw materials and supplies	18,246	14,833
	<u>36,168</u>	<u>32,267</u>
LIFO reserve	(4,823)	(4,682)
Total inventories	<u>\$ 31,345</u>	<u>\$ 27,585</u>

3) Derivative instruments

FutureFuel is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is commodity price risk. Regulated fixed price futures and option contracts are utilized to manage the price risk associated with future purchases of feedstock used in FutureFuel's biodiesel production along with physical feedstock and finished product inventories attributed to this process.

FutureFuel recognizes all derivative instruments as either assets or liabilities at fair value in its consolidated balance sheet. FutureFuel's derivative instruments do not qualify for hedge accounting under the specific guidelines of ASC 815-20-25, *Derivatives and Hedging, Hedging-General, Recognition*. While management believes each of these instruments are entered into in order to effectively manage various risks, none of the derivative instruments are designated and accounted for as hedges primarily as a result of the extensive record keeping requirements.

The fair value of FutureFuel's derivative instruments is determined based on the closing prices of the derivative instruments on relevant commodity exchanges at the end of an accounting period. Changes in fair value of the derivative instruments are recorded in the statement of operations as a component of cost of good sold, and amounted to a gain of \$1,394 and \$1,767 for the three and nine months ended September 30, 2009, respectively.

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

	<u>Asset/(Liability)</u>			
	<u>September 30, 2009</u>		<u>December 31, 2008</u>	
	<u>Quantity (Contracts)</u>	<u>Fair Market Value</u>	<u>Quantity (Contracts)</u>	<u>Fair Market Value</u>
Regulated fixed price future commitments, included in other current assets	(212)	\$ (901)	-	\$ -
Regulated options, included in other current assets	(225)	\$ (944)	(875)	\$ (3,175)

The margin account maintained with a broker to collateralize these derivative instruments carried an account balance of \$2,107 and \$7,826 at September 30, 2009 and December 31, 2008, respectively, and is classified as other current assets in the consolidated balance sheet. The carrying values of the margin account and of the derivative instruments are included, net, in other current assets.

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
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**(Unaudited)**

4) **Marketable debt securities**

As of December 31, 2008, FutureFuel had made investments in certain U.S. treasury bills and notes. As of December 31, 2008, these marketable debt securities had maturities ranging from January 2009 to March 2009. FutureFuel anticipated these securities being sold or maturing within one year and therefore classified all marketable debt securities as current assets in the accompanying consolidated balance sheet. FutureFuel designated these securities as being available-for-sale. Accordingly, these securities were carried at fair value, with the unrealized gains and losses, net of taxes, reported as a component of stockholders' equity. At September 30, 2009 no such securities were held.

The fair market value of these marketable debt securities, including accrued interest, totaled \$15,999 at December 31, 2008.

Additionally, FutureFuel has made investments in certain auction rate securities. As of September 30, 2009, these securities had a maturity of August 2037. FutureFuel classified these instruments as current assets in the accompanying consolidated balance sheets as the issuers of these instruments have either exercised their right to repurchase or a liquid market still exists for these securities, which allows FutureFuel to exit its positions within a short period of time. FutureFuel anticipates these securities either being sold or repurchased within the next year. FutureFuel has designated these securities as being available-for-sale. Accordingly, these securities are carried at fair value, with unrealized gains and losses, net of taxes, reported as a component of stockholders' equity. No realized gains or losses have been incurred related to these securities through September 30, 2009.

The fair market value of these auction rate securities approximated their par value and, including accrued interest, totaled \$2,800 and \$14,990 at September 30, 2009 and December 31, 2008, respectively.

At December 31, 2008, FutureFuel had investments in certain commercial paper. These investments had maturity dates ranging from January 2009 to March 2009 and have been classified as current assets in the accompanying consolidated balance sheet. FutureFuel had designated these securities as being available for sale. Accordingly, they were recorded at fair value, with the unrealized gains and losses, net of taxes, reported as a component of stockholders' equity. At September 30, 2009 no such investments were held.

The fair value of these investments, including accrued interest, totaled \$15,424 at December 31, 2008.

5) **Accrued expenses and other current liabilities**

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

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
Accrued employee liabilities	\$ 3,652	\$ 1,248
Accrued property, use and franchise taxes	813	975
Other	466	48
Total	\$ 4,931	\$ 2,271

6) **Borrowings**

In March 2007 FutureFuel Chemical entered into a \$50 million credit agreement with a commercial bank. The loan is a revolving facility the proceeds of which may be used for working capital, capital expenditures and the general corporate purposes of FutureFuel Chemical. The facility terminates in March 2010. Advances are made pursuant to a borrowing base comprised of 85% of eligible accounts plus 60% of eligible direct inventory plus 50% of eligible indirect inventory. Advances are secured by a perfected first priority security interest in accounts receivable and inventory. The interest rate floats at certain margins over the London Interbank Offered Rate ("LIBOR") or base rate based upon the leverage ratio from time to time as set forth in the following table.

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

Leverage Ratio	Base Rate Margin	LIBOR Margin
> 3	-0.55%	1.70%
≥ 2 < 3	-0.70%	1.55%
≥ 1 < 2	-0.85%	1.40%
< 1	-1.00%	1.25%

There is an unused commitment fee of 0.25% per annum. The ratio of EBITDA to fixed charges may not be less than 3:1. FutureFuel has guaranteed FutureFuel Chemical's obligations under this credit agreement.

At September 30, 2009, no borrowings were outstanding under this credit facility.

7) Provision for income taxes

	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Provision for income taxes	\$ 4,044	\$ 3,453	\$ 6,554	\$ 7,539
Effective tax rate	35.4%	39.1%	33.4%	34.3%

The effective tax rates for the three and nine months ended September 30, 2009 and 2008 reflect FutureFuel's expected tax rate on reported operating earnings before income tax.

FutureFuel's unrecognized tax benefits, recorded as an element of other noncurrent liabilities, totaled \$559 at September 30, 2009 and December 31, 2008, the total amount of which, if recognized, would reduce FutureFuel's effective tax rate.

FutureFuel does not expect its unrecognized tax benefits to change significantly over the next 12 months.

FutureFuel records interest and penalties net as a component of income tax expense. FutureFuel had accrued a balance of \$127 and \$96 at September 30, 2009 and December 31, 2008, respectively, for interest or tax penalties.

FutureFuel and its subsidiary, FutureFuel Chemical, file tax returns in the U.S. federal jurisdiction and with various state jurisdictions. FutureFuel was incorporated in 2005 and is subject to U.S., state and local examinations by tax authorities from 2005 forward. FutureFuel Chemical is subject to the effects of tax examinations that may impact the carry-over basis of its assets and liabilities.



**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

8) Earnings per share

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

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net income available to common stockholders	\$ 7,384	\$ 5,389	\$ 13,055	\$ 14,462
Weighted average number of common shares outstanding	28,190,300	26,787,609	28,190,300	26,729,416
Effect of warrants	977,076	1,948,721	325,692	649,574
Effect of stock options	23,730	85,656	13,221	40,348
Weighted average diluted number of common shares outstanding	29,191,106	28,821,986	28,529,213	27,419,338
Basic earnings per share	\$ 0.26	\$ 0.20	\$ 0.46	\$ 0.54
Diluted earnings per share	\$ 0.25	\$ 0.19	\$ 0.46	\$ 0.53

Certain warrants to purchase shares of FutureFuel's common stock were not included in the computation of diluted earnings per share for the nine months ended September 30, 2009 as they were anti-dilutive for the period. The weighted average number of warrants excluded on this basis was 14,211,667. Additionally, certain options to purchase shares of FutureFuel's common stock were not included in the computation of diluted earnings per share for the nine months ended September 30, 2009 as they were anti-dilutive. The weighted average number of options excluded on this basis was 71,667.

9) Segment information

FutureFuel has determined that it has two reportable segments organized along product lines – chemicals and biofuels.

*Chemicals*

FutureFuel's chemicals segment manufactures diversified chemical products that are sold externally to third party customers. 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. Revenues are generated through the production and sale of biodiesel to customers through FutureFuel's distribution network from the Batesville Plant and through distribution facilities available at leased oil storage facilities 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.

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
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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 attributable to the United States and foreign countries (based upon the billing addresses of its customers) were as follows:

<u>Three Months Ended</u>	<u>United States</u>	<u>All Foreign Countries</u>	<u>Total</u>
September 30, 2009	\$ 48,007	\$ 4,256	\$ 52,263
September 30, 2008	\$ 49,618	\$ 10,967	\$ 60,585

FutureFuel's revenues for the nine months ended September 30, 2009 and 2008 attributable to the United States and foreign countries (based upon the billing addresses of its customers) were as follows:

<u>Nine Months Ended</u>	<u>United States</u>	<u>All Foreign Countries</u>	<u>Total</u>
September 30, 2009	\$ 120,636	\$ 13,195	\$ 133,831
September 30, 2008	\$ 128,283	\$ 25,418	\$ 153,701

For the three months ended September 30, 2009 and 2008, revenues from Mexico accounted for 8% and 9%, respectively, of total revenues. For the nine months ended September 30, 2009 and 2008, revenues from Mexico accounted for 9% and 10%, respectively, of total revenues. For the three months ended September 30, 2009 and 2008, revenues from Canada accounted for 0% and 9%, respectively, of total revenues. For the nine months ended September 30, 2009 and 2008, revenues from Canada accounted for 0% and 6%, respectively, of total revenues. Other than Mexico and Canada, revenues from a single foreign country during the three months ended September 30, 2009 and 2008 did not exceed 2% of total revenues.

*Summary of business by segment*

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues				
Chemicals	\$ 39,029	\$ 41,800	\$ 102,745	\$ 114,496
Biofuels	13,234	18,785	31,086	39,205
Revenues	<u>\$ 52,263</u>	<u>\$ 60,585</u>	<u>\$ 133,831</u>	<u>\$ 153,701</u>
Segment gross margins				
Chemicals	\$ 7,929	\$ 8,306	\$ 21,635	\$ 23,742
Biofuels	5,721	2,574	4,243	2,170
Segment gross margins	13,650	10,880	25,878	25,912
Corporate expenses	<u>(2,265)</u>	<u>(2,154)</u>	<u>(6,565)</u>	<u>(6,102)</u>
Income before interest and taxes	11,385	8,726	19,313	19,810
Interest and other income	48	671	325	2,585
Interest and other expense	(5)	(555)	(29)	(394)
Provision for income taxes	<u>(4,044)</u>	<u>(3,453)</u>	<u>(6,554)</u>	<u>(7,539)</u>
Net income	<u>\$ 7,384</u>	<u>\$ 5,389</u>	<u>\$ 13,055</u>	<u>\$ 14,462</u>

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.

Gross margin for the biofuels segment for the nine months ended September 30, 2008 was favorably impacted by the receipt of \$2,000 from the State of Arkansas resulting from our biodiesel operating cost grant application under the Arkansas Alternative Fuels Development Program. This funding was attributable to our biodiesel production between January 1, 2007 and June 30, 2008 and was calculated as

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\$0.20 per gallon of biodiesel produced, capped at \$2,000. Gross margin for the biofuels segment for the three and nine months ended September 30, 2009 was favorably impacted by the receipt of \$2,000 from the State of Arkansas under the same Arkansas Alternative Fuels Development Program, again calculated as \$0.20 per gallon of biodiesel produced, capped at \$2,000. This funding was attributable to our biodiesel production between July 1, 2008 and June 30, 2009. Based on the characteristics of the Arkansas Alternative Fuels Development Program and the State funding behind this program, we recognize income in the period funding is received. The next period for funding under this program opened on July 1, 2009 and closes on June 30, 2010. FutureFuel intends to apply for maximum funding under this program for biodiesel production during this period.

10) Fair value measurements

FutureFuel adopted ASC 820-10-50, *Fair Value Measurements and Disclosures, Overall, Disclosure*, effective January 1, 2008, which defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. ASC 820-10-50 also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability based on market data obtained from sources independent of FutureFuel. Unobservable inputs are inputs that reflect FutureFuel's assumptions about the factors market participants would use in valuing the asset or liability based upon the best information available in the circumstances. The hierarchy is broken down into three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table provides information by level for assets and liabilities that are measured at fair value, as defined by ASC 820-10-50, on a recurring basis.

Description	Fair Value at September 30, 2009	Asset/(Liability)		
		Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Available for sale:				
Auction rate securities	\$ 2,800	\$ -	\$ 2,800	\$ -
Derivative instruments	\$ (1,845)	\$ (1,845)	\$ -	\$ -

11) Recently issued accounting standards

In June 2009, the FASB issued standards that established the ASC as the source of authoritative GAAP by the FASB for nongovernmental entities. The ASC supersedes all non-SEC accounting and reporting standards that existed at the ASC's effective date. The FASB uses Accounting Standards Updates ("ASU") to amend the ASC. These standards are effective for interim and annual periods ending after September 15, 2009.

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 166, "Accounting for Transfers of Financial Assets, an amendment of FASB Statement No.140" ("SFAS No. 166"). This statement addresses the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. This statement is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

reporting periods thereafter. FutureFuel is currently evaluating the effect SFAS No. 166 will have on its consolidated financial position, liquidity, or results of operations.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS No. 167"). This statement amends certain requirements of FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities", to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. This statement is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. FutureFuel is currently evaluating the effect SFAS No. 167 will have on its consolidated financial position, liquidity, or results of operations.

12) Subsequent events

FutureFuel has evaluated events and transactions subsequent to September 30, 2009 through November 9, 2009, the date the financial statements were filed with the SEC as part of Form 10-Q. No events require recognition in the consolidated financial statements or disclosures of FutureFuel per the definitions and requirements of ASC 855, *Subsequent Events*.