UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For Quarterly Period Ended September 30, 2005

OR

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

For the transition period from to

Commission file number 000-16496

Constar International Inc.

(Exact name of registrant as specified in its charter)

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

(215) 552-3700

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes x No ¨

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

As of November 2, 2005, 12,560,645 shares of the Registrant s Common Stock were outstanding.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	September 30, 2005	December 31, 2004
Assets		
Current Assets		
Cash and cash equivalents	$ 8,087	$ 9,316
Accounts receivable, net (Note 3)	100,014	84,316
Inventories, net (Note 4)	98,173	103,949
Prepaid expenses and other current assets	14,885	16,954
Total current assets	221,159	214,535
Property plant and equipment, net (Note 5)	157,992	194,512
Goodwill	148,813	148,813
Other assets	19,957	22,417
Total assets	$ 547,921	$ 580,277
Liabilities, Minority Interests and Stockholders Equity (Deficit)		
Current Liabilities		
Short-term debt (Note 6)	$ 5,183	$ 19,788
Accounts payable and accrued liabilities	148,149	128,405
Income taxes payable	455	1,272
Total current liabilities	153,787	149,465
Long-term debt, net of current portion (Note 6)	393,139	368,637
Pension and post-retirement liabilities	15,822	17,475
Deferred income taxes	8,165	11,829
Other liabilities	6,304	6,587
Total liabilities	577,217	553,993
Commitments and contingent liabilities (Note 12)		
Minority interests	2,320	2,287

Stockholders equity (deficit)	(31,616)	23,997
Total liabilities, minority interests and stockholders equity (deficit)	$ 547,921	$ 580,277

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

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Net customer sales	$ 257,832	$ 223,311	$ 742,256	$ 638,830
Net affiliate sales	1,211	1,219	3,424	3,522
Net sales	259,043	224,530	745,680	642,352
Cost of products sold, excluding depreciation	233,872	198,482	680,957	566,932
Depreciation	11,325	13,095	34,057	39,172
Gross profit	13,846	12,953	30,666	36,248
Operating expenses				
Selling and administrative expenses	6,373	7,428	17,512	19,685
Research and technology expenses	1,614	1,535	4,660	4,052
Write off of deferred financing costs and other fees			10,025	
Interest expense	9,784	10,002	28,821	29,972
Asset impairment charge (Note 5)	22,200		22,200	
Foreign exchange adjustments	(73)	96	1,003	503
Provision for restructuring	60		170	
Other (income) expenses, net	508	(502)	750	11
Total operating expenses	40,466	18,559	85,141	54,223
Loss before taxes and minority interest	(26,620)	(5,606)	(54,475)	(17,975)
Benefit (provision) for income taxes	3,167	132	3,292	(316)
Minority interests	(14)		(33)	19
Net loss	$ (23,467)	$ (5,474)	$ (51,216)	$ (18,272)
Per common share data:				
Basic and diluted:				
Net loss	$ (1.93)	$ (0.45)	$ (4.22)	$ (1.52)
Weighted average common shares outstanding:				
Basic and diluted	12,157	12,036	12,135	12,009

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

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine months ended September 30,	
	2005	**2004**
Cash flows from operating activities		
Net loss	$ (51,216)	$ (18,272)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	34,745	41,051
Asset impairment charge	22,200	
Earned compensation on restricted stock	534	533
Write off of deferred financing costs	6,556	
Change in other operating assets and liabilities, net	9,221	(831)
Net cash provided by operating activities	22,040	22,481
Cash flows from investing activities		
Purchases of property, plant and equipment	(24,000)	(19,069)
Proceeds from sale of property, plant and equipment	570	18
Net cash used in investing activities	(23,430)	(19,051)
Cash flows from financing activities		
Proceeds from sale of Senior Notes	220,000	
Repayment of term loan	(121,941)	(936)
Proceeds from Revolver Loan	559,000	33,000
Repayment of Revolver Loan	(572,342)	(33,000)
Repayment of second lien loan	(75,000)	
Change in outstanding overdrafts	1,768	(2,581)
Costs associated with debt refinancing	(10,774)	
Other financing activities	(84)	
Net cash provided by (used in) financing activities	627	(3,517)
Effect of exchange rate changes on cash and cash equivalents	(466)	66
Net change in cash and cash equivalents	(1,229)	(21)
Cash and cash equivalents at beginning of period	9,316	16,478
Cash and cash equivalents at end of period	$ 8,087	$ 16,457

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

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (DEFICIT)

(in thousands)

(unaudited)

	Comprehensive Income (Loss)	Common Stock	Additional Paid-In-Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Unearned Compensation	Accumulated Deficit	Total
Balance, December 31, 2004		**$ 125**	**$ 276,403**	**$ (20,993)**	**$ (210)**	**$ (2,284)**	**$ (229,044)**	**$ 23,997**
Net loss	$ (20,048)						(20,048)	(20,048)
Translation adjustments	(1,356)			(1,356)				(1,356)
Comprehensive loss	$ (21,404)							
Issuance of restricted stock			22		(82)			(60)
Earned compensation on restricted stock						181		181
Balance, March 31, 2005		**$ 125**	**$ 276,425**	**$ (22,349)**	**$ (292)**	**$ (2,103)**	**$ (249,092)**	**$ 2,714**
Net loss	$ (7,701)						(7,701)	(7,701)
Revaluation of cash flow hedge	(1,514)			(1,514)				(1,514)
Translation adjustments	(2,855)			(2,855)				(2,855)
Comprehensive loss	$ (12,070)							
Forfeitures of restricted stock			(20)		(14)	25		(9)
Earned compensation on restricted stock						177		177
Balance, June 30, 2005		**$ 125**	**$ 276,405**	**$ (26,718)**	**$ (306)**	**$ (1,901)**	**$ (256,793)**	**$ (9,188)**
Net loss	$ (23,467)						(23,467)	(23,467)
Revaluation of cash flow hedge	1,752			1,752				1,752
Translation adjustments	(889)			(889)				(889)
Comprehensive loss	$ (22,604)							
Forfeitures of restricted stock			16		(8)	(8)		
Earned compensation on restricted stock						176		176
Balance, Sept. 30, 2005		**$ 125**	**$ 276,421**	**$ (25,855)**	**$ (314)**	**$ (1,733)**	**$ (280,260)**	**$ (31,616)**

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All dollar amounts in thousands unless otherwise noted)

1. Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared by Constar International Inc. (Constar or the Company) in accordance with the Securities and Exchange Commission (SEC) regulations for interim financial reporting. In the opinion of management, these consolidated financial statements contain all adjustments of a normal and recurring nature necessary to provide a fair statement of the financial position, results of operations and cash flows for the periods indicated. These results have been determined on the basis of generally accepted accounting principles and practices consistently applied.

Certain information and footnote disclosures, normally included in financial statements presented in accordance with accounting principles generally accepted in the United States, have been condensed or omitted. Certain prior year amounts have been reclassified to conform to the current year presentation. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2004.

2. Recent Accounting Pronouncements

In March 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 47, Accounting for Conditional Asset Retirement Obligations. FIN No. 47 clarifies the accounting for conditional asset retirement obligations as used in Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The provisions of this interpretation are effective no later than the end of fiscal years ending after December 15, 2005 (December 31, 2005, for calendar-year-end companies). The Company does not expect that the adoption of this interpretation will have a material impact on the Company s results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment (SFAS No. 123R), which replaces SFAS No. 123 Accounting for Stock Based Compensation. SFAS No. 123R supersedes Accounting Principle Board Opinion No. 25, Accounting for Stock Issued to Employers and eliminates the alternative to use the intrinsic value method of accounting that was provided in SFAS No. 123 as originally issued. This statement requires entities to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. The SEC has postponed the date on which this statement becomes effective, and accordingly, the Company plans to adopt SFAS No. 123R in the first quarter of 2006. The Company does not expect that the initial adoption of this statement will have a material impact on the Company s results of operations or financial position as stock option awards currently outstanding will fully vest prior to the effective date. Stock options awarded after the effective date will be accounted for in accordance with SFAS No. 123R and may have a material impact on the Company s results of operations or financial position.

In December 2004, the FASB issued SFAS No. 151, Inventory Costs. SFAS No. 151 amends the guidance in Accounting Research Bulletin No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. This statement requires that these items be recognized as current period charges regardless of whether they meet the criterion of abnormal. In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of this statement are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not expect that the adoption of this statement will have a material impact on the Company s results of operations or financial position.

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In October 2004, the American Job Creation Act of 2004 (AJCA) was signed into law. The AJCA allows companies to repatriate earnings from foreign subsidiaries at a reduced U.S. tax rate. Constar has evaluated the new §965 elements of the AJCA and as a result of the Company s Net Operating Loss (NOL) carry forward and expectations to continue to generate NOLs into the foreseeable future, the Company does not expect to repatriate any foreign dividends in accordance with the AJCA. Constar evaluated the impact of the Qualified Domestic Production Deduction provision (§199 elements) of the AJCA and the impact was immaterial. Constar will continue to evaluate the provisions of the AJCA and its impact on the Company on a going-forward basis.

3. Accounts Receivable

	September 30, 2005	December 31, 2004
Trade and notes receivable	$ 96,659	$ 79,614
Less: allowance for doubtful accounts	(3,211)	(2,396)
Net trade receivables	93,448	77,218
Value added taxes recoverable	5,234	5,958
Miscellaneous receivables	1,332	1,140
Total	$ 100,014	$ 84,316

4. Inventories

	September 30, 2005	December 31, 2004
Finished goods	$ 57,066	$ 68,366
Raw materials and supplies	41,107	35,583
Total	$ 98,173	$ 103,949

The inventory balance has been reduced by reserves for obsolete and slow-moving inventories of $825 and $447 as of September 30, 2005 and December 31, 2004, respectively.

5. Property, Plant and Equipment

	September 30,	December 31,

	2005	2004
Buildings and improvements	$ 69,110	$ 70,167
Machinery and equipment	607,422	649,774
Less: accumulated depreciation and amortization	(546,425)	(536,182)
	130,107	183,759
Land and improvements	3,891	4,047
Construction in progress	23,994	6,706
	$ 157,992	$ 194,512

During the third quarter, the Company s operation located in the United Kingdom reported financial results below expectations. These results were due to a sales volume shortfall and excess costs incurred to service these reduced volumes. The Company s operations located in Holland also reported financial results below expectations and a reduction from the previous quarter s results. These shortfalls are more directly related to competitive activities and weak customer demand. While the Company implemented key initiatives during the second quarter to improve these operating results, neither of these facilities has been able to achieve its forecasted operating targets. As a result of the shortfall in performance and results below revised expectations, the Company performed an interim impairment test as of September 30, 2005. In accordance with SFAS No. 144

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Accounting for the Impairment or Disposal of Long-lived Assets , the impairment test was based on the undiscounted cashflows from the asset base as compared to the carrying value of those assets. Based on these reduced earnings expectations, the undiscounted cashflows of both the UK and Holland operations were insufficient to recover the carrying value of these assets over the remaining useful lives. The Company then calculated the fair value of the assets of both operations based on discounted projected net cashflows and recorded a fixed asset impairment loss of $22.2 million for these operations to write the asset carrying values down to fair value. The total loss of $22.2 million is based on a write down of $16.5 million for the UK operation and $5.7 million for the Holland facility. The Company will continue to monitor closely these operations and the different risks that may impact future carrying value of these assets.

6. Debt

A summary of short-term and long-term debt follows:

	September 30, 2005	December 31, 2004
Short-Term		
Revolver Loan	$ 3,658	$ 17,000
Term B Loan		1,248
Other	1,525	1,540
Total	$ 5,183	$ 19,788
Long-Term		
Term Loan		120,693
Senior Notes	220,000	
Senior Subordinated Notes	175,000	175,000
Unamortized debt discount	(1,861)	(2,056)
Second Lien Term Loan		75,000
Total	$ 393,139	$ 368,637

On February 11, 2005, the Company completed a refinancing which consisted of the sale of $220 million of Senior Secured Floating Rate Notes due 2012 (Senior Notes) and entered into a new four-year $70.0 million Senior Secured Asset Based Revolving Credit Facility (New Revolver Loan). The proceeds, net of expenses, from the refinancing were used to repay $30.0 million outstanding under the Company s former revolving loan facility, $121.9 million outstanding under a term loan and $75.0 million outstanding under a second lien loan. In connection with the repayment and termination of these facilities, the Company incurred approximately $3.5 million of prepayment penalties which were charged to expenses during the first quarter ended March 31, 2005. In addition, the Company wrote off $6.5 million of previously capitalized deferred financing costs related to the former revolving loan facility and two term loans.

The Company completed its February 11, 2005 refinancing in part because it would not have been in compliance in 2005 with certain financial covenants included in the former revolver loan facility, term loan and second lien loan. As a result of this February 11, 2005 refinancing, the Company has extended its debt maturities, reduced its effective interest costs and created less restrictive financial covenants. The Company s previously issued $175 million 11% Senior Subordinated Notes (Subordinated Notes) were not refinanced.

The Senior Notes bear interest at the rate of three-month LIBOR plus 3.375% per annum. Interest on the notes is reset quarterly. During May 2005, the Company entered into an interest rate swap for a notional amount

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of $100 million. The Company effectively exchanged its floating interest rate of LIBOR plus 3.375% for a fixed rate of 7.9% through the period ending February 2012. The fair value of the swap at September 30, 2005 was an asset of $0.2 million. Interest on the Senior Notes is payable quarterly on each February 15, May 15, August 15 and November 15, commencing on May 15, 2005. The Senior Notes will mature on February 15, 2012. The Company may redeem some or all of the Senior Notes at any time on or after February 15, 2007, under the circumstances and at the prices described in the indenture governing the Senior Notes. In addition, prior to February 15, 2007, the Company may redeem up to 35% of the Senior Notes with the net proceeds of certain equity offerings. The Senior Notes contain provisions that require the Company to make mandatory offers to purchase outstanding amounts in connection with a change of control, asset sales and events of loss.

The Subordinated Notes bear interest at a rate of 11.0% per annum. Interest on the Subordinated Notes is payable semi-annually on each December 1 and June 1. The Company may redeem some or all of the Subordinated Notes at any time on and after December 1, 2007, under the circumstances and at the prices described in the indenture governing the Subordinated Notes. In addition, prior to December 1, 2005, the Company may redeem up to 35% of the Subordinated Notes with the net proceeds of certain equity offerings. If the Company experiences a change of control, holders of the Subordinated Notes may require the Company to repurchase the Subordinated Notes. The Subordinated Notes also contain provisions that require the Company to repurchase Subordinated Notes in connection with certain asset sales.

The New Revolver Loan consists of a $70.0 million four-year revolving loan facility, $25.0 million of which is available to provide for the issuance of letters of credit. The New Revolver Loan also includes a $15.0 million swing loan subfacility. The obligations under the New Revolver Loan are guaranteed by each of the Company s existing and future domestic and United Kingdom subsidiaries (subject to certain exceptions). Borrowings under the New Revolver Loan are limited to the lesser of (1) $70.0 million or (2) a borrowing base comprised of the sum of (i) up to 85% of the Company s and its domestic subsidiaries eligible trade accounts receivable, (ii) up to 80% of eligible trade accounts receivable of Constar International U.K. Limited, (iii) the lesser of (A) up to 85% of the net orderly liquidation value of the Company s and its domestic subsidiaries eligible inventory and (B) up to 75% of the Company s and its domestic subsidiaries eligible inventory (valued at the lower of cost on a first-in, first-out basis and market), and (iv) the lesser of (A) up to 80% of the net orderly liquidation value of eligible inventory of Constar International U.K. Limited and (B) up to 70% of eligible inventory of Constar International U.K. Limited (valued at the lower of cost on a first-in, first-out basis and market), less in the case of both receivables and inventory discretionary eligibility reserves. In addition, the administrative agent under the New Revolver Loan may impose discretionary reserves against the entire revolving loan facility. As of September 30, 2005, the Company had borrowings under the New Revolver Loan of $3.7 million and available credit of $54.4 million. Based on the September 30, 2005 balance sheet, the Company s borrowing base was approximately $86.1 million.

The Company pays a monthly commitment fee equal to 0.5% per year on the undrawn portion of the New Revolver Loan. The Company also pays fees on any letters of credit outstanding under the New Revolver Loan. The New Revolver Loan initially bears interest at a rate equal to a Base Rate plus 1.25% or LIBOR plus 2.25%, and after the delivery of financial statements for the fiscal quarter ending June 30, 2005, a Base Rate plus a margin ranging from 1.0% to 1.5% or LIBOR plus a margin ranging from 2.00% to 2.50% depending on average monthly available credit under the New Revolver Loan.

Under the New Revolver Loan, the Company pledged as collateral all of the capital stock of its domestic and United Kingdom subsidiaries and 65% of the voting stock of its other foreign subsidiaries, and all of the inventory, accounts receivable, investment property, instruments, chattel paper, documents, deposit accounts and certain intangibles of its domestic and United Kingdom subsidiaries.

The New Revolver Loan also provides that the Company may request up to a $30.0 million increase in the size of the facility. The lenders are not obligated to grant such increase, and even if it is obtained, our ability to borrow the increased amount will be subject to various conditions contained in the New Revolver Loan and the indentures governing the Senior Notes and the Subordinated Notes.

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The New Revolver Loan contains customary affirmative, financial and negative covenants relating to the Company s operations and its financial condition. The affirmative covenants cover matters such as delivery of financial information, compliance with law, maintenance of insurance and properties, pledges of assets and payment of taxes. The financial covenants require the Company to maintain a minimum level of available credit of $10.0 million and a minimum interest coverage ratio to be tested only when available credit is less than $15.0 million, and imposes maximum capital expenditures of $45.0 million for 2005, $42.5 million in 2006, $47.5 million in 2007 and $47.5 million in 2008. These capital expenditure covenants allow for the carry forward of a certain amount of spending below covenant levels in previous periods. In order to satisfy significant business awards, including those relating to conversions from other forms of packaging, the Company may need to purchase additional equipment. To the extent such purchases would cause the Company to exceed the capital expenditure restrictions of the New Revolver Loan, the Company would have to obtain the lenders consent before making such purchases. There can be no assurances that the lenders would grant any such consent.

The negative covenants contained in the Company s new credit facility limit the Company s ability and the ability of the Company s subsidiaries to, among other things, incur additional indebtedness and guarantee obligations, create liens, make equity investments or loans, sell, lease or otherwise dispose of assets, pay dividends, make distributions, redeem or repurchase any equity securities, prepay, redeem, repurchase or cancel certain indebtedness, engage in mergers, consolidations, acquisitions, joint ventures or the creation of subsidiaries and change the nature of the business.

At September 30, 2005, there was $220.0 million outstanding on the Senior Notes, $175.0 million on the Subordinated Notes, $3.7 million outstanding on the New Revolver Loan and $11.9 million outstanding under letters of credit. In addition, the Company had $8.1 million of cash and cash equivalents on hand as well as $54.4 million of availability under the New Revolver Loan.

7. Restructuring

In September 2003, the Company announced its plans to implement a cost reduction initiative under which it closed facilities in Birmingham, Alabama and in Reserve, Louisiana. Under the plan, approximately 130 positions were eliminated at the affected facilities and as of March 31, 2004 all employees have been terminated. A summary of the 2003 initiative is presented below:

	Contract and Lease Termination Costs	Severance and Termination Benefits	Total
Balance at December 31, 2004	$ 2,581	$ 10	$ 2,591
Charges to income	170		170
Payments	(974)	(10)	(984)
Balance at September 30, 2005	$ 1,777		$ 1,777

During the nine months ended September 30, 2005, the Company recognized a $170 restructuring charge related to period costs associated with the two closed facilities. The balance in the restructuring reserves at September 30, 2005 represents the expected lease costs and other exit costs which are expected to be paid over the next two years. The short-term portion of the restructuring balance, which is expected to be paid over the next twelve months, is $1.1 million and is reported in Accounts Payable and Accrued Liabilities on the Condensed Consolidated Balance Sheets. The expected long-term portion of the restructuring balance is $719 and is reported in Other Liabilities on the Condensed Consolidated Balance Sheets.

In 1997 the Company had a restructuring program which included the reorganization and closing of manufacturing locations within the U.S. The balance in the restructuring reserves, which represents the expected lease costs and other exit costs for the closed facilities associated with the 1997 restructuring initiative, was $550

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and $1.1 million as of September 30, 2005 and December 31, 2004, respectively. The Company expects that all payments pertaining to this initiative will be paid out in 2005.

8. Stock-Based Compensation

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company s stock at the date of the grant over the amount an employee must pay to acquire the stock.

The Company did not record compensation expense related to its stock option plan for the period ending September 30, 2005 because grants were at 100% of the fair market value on the grant date and no shares were issued during the period. If the fair value based method prescribed in SFAS No. 123 Accounting for Stock-Based Compensation, had been applied to stock option grants at the grant date, the Company s net loss and basic and diluted net loss per share would have been reflected as summarized below:

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2004
Net loss				
As reported	$ (23,467)	$ (5,474)	$ (51,216)	$ (18,272)
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects	114	119	347	346
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(141)	(160)	(430)	(468)
Pro forma	$ (23,494)	$ (5,515)	$ (51,299)	$ (18,394)
Basic and diluted loss per share				
As reported	$ (1.93)	$ (0.45)	$ (4.22)	$ (1.52)
Pro forma	$ (1.93)	$ (0.46)	$ (4.23)	$ (1.53)

On February 17, 2005, the Company issued 55,205 restricted stock units to certain officers in connection with the Company s incentive compensation plan for fiscal 2004. When these units vest on February 17, 2008, they may be paid, at the discretion of the Compensation Committee of the Company s Board of Directors, in cash or the Company s common stock. Any payments in stock would be made from shares of the Company s common stock authorized under the 2002 Stock Based Incentive Compensation Plan.

For the periods ending September 30, 2005 and 2004, the Company recorded an expense of approximately $534 and $533, respectively, related to the amortization of the deferred compensation over the vesting period of the grants made under the Company s compensation plan. During August 2005, the Company issued a total of 4,750 shares of restricted stock to the non-management members of the Company s Board of Directors. One-third of the shares are scheduled to vest on each of the first three anniversaries of the issuance date.

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9. Earnings per Share

The following table summarizes the basic and diluted earnings per share (EPS) computations for the periods ended September 30, 2005 and 2004:

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2004
Net loss	$ (23,467)	$ (5,474)	$ (51,216)	$ (18,272)
Weighted average common shares outstanding:				
Basic and diluted	12,157	12,036	12,135	12,009
Basic and diluted loss per share:				
Net loss	$ (1.93)	$ (0.45)	$ (4.22)	$ (1.52)

Basic EPS excludes all potentially dilutive securities and is computed by dividing loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS includes the assumed exercise and conversion of potentially dilutive securities, including stock options in periods when they are not anti-dilutive; otherwise, it is the same as basic EPS.

Shares of the Company s common stock contingently issuable upon the exercise of outstanding stock options totaled 176,017 and restricted shares outstanding totaled 384,337 for the nine months ended September 30, 2005. Since the exercise prices of the then-outstanding options were above the average market price for the related period, these shares were excluded from the computation of earnings per share because the impact of their inclusion would be anti-dilutive.

10. Pension and Postretirement Benefits

The U.S. salaried and hourly personnel participate in a defined benefit pension plan. The benefits under this plan for salaried employees are based primarily on years of service and remuneration near retirement. The benefits for hourly employees are based primarily on years of service and a fixed monthly multiplier. Plan assets consist principally of common stocks and fixed income securities.

In the U.S., the Company sponsors unfunded plans to provide health care and life insurance benefits to pensioners and survivors. Generally, the medical plans pay a stated percentage of medical expenses reduced by deductibles and other coverage. Life insurance benefits are generally provided by insurance contracts. The Company reserves the right, subject to existing agreements, to change, modify or discontinue the plans.

Employees of the U.K. operation may participate in a contributory pension plan with a benefit based on years of service and final salary. Participants contribute 5% of their salary each year and the U.K. operation contributes the balance, which is currently approximately 8% of salary. The assets of the plan are held in a trust and are primarily invested in equity securities.

Employees in the Netherlands operation are entitled to a retirement benefit based on years of service and final salary. The plan is financed via participating annuity contracts and the values of the participation rights approximate the unfunded service obligation based on future compensation increases.

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The components of the pension and postretirement benefit expense/(income) for the Company s plans were as follows:

	Three Months Ended Sept. 30, 2005		Three Months Ended Sept. 30, 2004		Nine Months Ended Sept. 30, 2005		Nine Months Ended Sept. 30, 2004	
	Pension	Post-retirement	Pension	Post-retirement	Pension	Post-retirement	Pension	Post-retirement
Service cost	$ 801	$	$ 506	$ 11	$ 2,403	$	$ 1,518	$ 33
Interest cost	1,218	102	1,033	113	3,656	306	3,099	339
Expected return on plan assets	(1,329)		(1,176)		(3,988)		(3,528)	
Amortization of net loss	839	194	626	196	2,517	582	1,878	588
Amortization of prior service cost	38	(49)	38	(48)	114	(147)	114	(144)
Total pension and postretirement expense	$ 1,567	$ 247	$ 1,027	$ 272	$ 4,702	$ 741	$ 3,081	$ 816

Constar estimates that its expected contribution to its pension plans for the 2005 fiscal year is $8.5 million of which $6.8 million was paid during the nine months ended September 30, 2005.

11. Segment Information

Constar has only one reportable segment. The operations within Europe and the U.S. are similar in the nature of their products, production processes, the types or classes of customers for products and the methods used to distribute products.

Net customer sales for the countries in which Constar operated were:

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
United States	$ 196,944	$ 165,546	$ 565,790	$ 468,538
United Kingdom	34,899	31,792	97,333	92,236
Other	25,989	25,973	79,133	78,056
	$ 257,832	$ 223,311	$ 742,256	$ 638,830

12. Commitments and Contingencies

The Company and certain of its present and former directors, along with Crown Holdings, Inc., as well as various underwriters, have been named as defendants in a consolidated putative securities class action lawsuit filed in the United Sates District Court for the Eastern District of Pennsylvania, In re Constar International, Inc. Securities Litigation (Master File No. 03-CV-05020). This action consolidates previous lawsuits, namely Parkside Capital LLC v. Constar International Inc. et al. (Civil Action No. 03-5020), filed on September 5, 2003 and Walter Frejek v. Constar International Inc. et al. (Civil Action No. 03-5166), filed on September 15, 2003. The consolidated and amended complaint, filed June 17, 2004, generally alleges that the registration statement and prospectus for the Company s initial public offering of its common stock on November 14, 2002 contained material misrepresentations and/or omissions. Plaintiffs claim that defendants in these lawsuits violated Sections 11 and 15 of the Securities Act of 1933. Plaintiffs seek class action certification and an award of damages and litigation costs and expenses. Under the Company s charter documents, an agreement with Crown and an

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underwriting agreement with Crown and the underwriters, Constar has incurred certain indemnification and contribution obligations to the other defendants with respect to this lawsuit. The court denied the Company s motion to dismiss for failure to state a claim upon which relief may be granted on June 7, 2005 and the Company s answer was filed on August 8, 2005. The Company believes the claims in the action are without merit and intends to defend against them vigorously.

The Company is a defendant in a lawsuit that was filed in the Ninth Judicial Circuit of Florida on January 9, 2001 by former and current employees of its Orlando, Florida facility seeking unspecified monetary damages. The lawsuit alleges bodily injury as a result of exposure to off-gasses from polyvinyl chloride (PVC) during the manufacture of plastic bottles from 1980 to 1987. PVC suppliers and a manufacturer of the manufacturing equipment used to process the PVC are also defendants. The litigation is currently in the discovery stage. On May 5, 2005, the court denied Constar s motion for summary judgment which had been brought as to one of the plaintiffs. A trial with respect to this plaintiff is scheduled to commence in January 2006. The Company believes the claims are without merit and is aggressively defending against the claims.

On May 23, 2005, the Company instituted arbitration proceedings against Mott s Inc. and Mott s LLP before the American Arbitration Association. The Company asserts that Mott s has breached the terms of a supply agreement by underpaying Constar for PET preform products manufactured and sold to Mott s pursuant to the supply agreement. In the Company s Statement of Claim, the Company seeks damages of approximately $1.0 million, plus interest. Mott s has stated that it intends to continue to pay a reduced amount for PET preform products supplied by the Company, and accordingly, the amount the Company seeks as damages will increase over time. Mott s has filed a counterclaim asserting that it has overpaid for PET preforms in the past, but has not specified the amount of any such alleged overpayments. The arbitrator has scheduled a hearing for January 2006 to consider dispositive motions. If the arbitrator s ruling on these motions does not decide all of the claims asserted by the parties, a final hearing has been scheduled to begin by May 2006.

The Company cannot reasonably estimate the amount of any loss that may result from the above matters.

The Company is subject to other lawsuits and claims in the normal course of business and related to businesses operated by predecessor corporations. Management believes that the ultimate liabilities resulting from these lawsuits and claims will not materially impact its financial position, cash flows or results of operations.

Certain judgments against the Company would constitute an event of default under the Company s New Revolver Loan. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources .

Constar has received requests for information or notifications of potential responsibility from the Environmental Protection Agency (EPA), and certain state environmental agencies for certain off-site locations. Constar has not incurred any significant costs relating to these matters. Constar has been identified by the Wisconsin Department of Natural Resources as a potentially responsible party at three related sites in Wisconsin and agreed to share in the remediation costs with one other party. Remediation is ongoing at two of these sites and remediation has been completed at the third site. Constar has also been identified as a potentially responsible party at the Bush Valley Landfill site in Abingdon, Maryland and entered into a settlement agreement with the EPA in July 1997. The activities required under that agreement are ongoing. Constar s share of the remediation costs has been minimal thus far and no accrual has been recorded for future remediation at these sites.

The Company s Didam, Netherlands facility has been identified as having impacts to soil and groundwater from volatile organic compounds at concentrations that exceed those permissible under Dutch law. The main body of the groundwater plume is beneath the Didam facility but it also appears to extend from an upgradient neighboring property. Following the results of recent testing, remediation is not required to begin until 2007. The Company records an environmental liability on a undiscounted basis when it is probable that a liability has been

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incurred and the amount of the liability is reasonably estimable. Constar has recorded an accrual of $160 for costs associated with completing the required investigations and certain other activities that may be required at the Didam facility. As more information becomes available relating to what additional actions may be required at the site, including potential remediation activities, this accrual may be adjusted, as necessary, to reflect the new information. There are no other accruals for environmental matters.

Environmental exposures are difficult to assess for numerous reasons, including the identification of new sites, advances in technology, changes in environmental laws and regulations and their application, the scarcity of reliable data pertaining to identified sites, the difficulty in assessing the involvement and financial capability of other potentially responsible parties and the time periods over which site remediation occurs. It is possible that some of these matters, the outcomes of which are subject to various uncertainties, may be decided in a manner unfavorable to Constar. However, management does not believe that any unfavorable decision will have a material adverse effect on our financial position, cash flows or results of operations.

As of September 30, 2005 there were ten letters of credit outstanding under the New Revolver Loan with a total outstanding balance of approximately $11.9 million. These letters of credit are being used as guarantees of insurance obligations, lease security guarantees, a payment guarantee to a vendor and loan obligations of a foreign affiliate.

13. Income Taxes

During the first nine months of 2005, the Company recorded a valuation allowance of $13.7 million to cover the net operating losses being generated in the U.S. and certain other foreign locations during fiscal 2005. The Company does not currently anticipate realizing deferred tax assets to the extent the assets exceed deferred tax liabilities.

14. Derivative Financial Instruments (Cash Flow Hedge)

During May 2005, the Company entered into an interest rate swap for a notional amount of $100.0 million relating to its Senior Notes. The Company effectively exchanged its floating interest rate of LIBOR plus 3.375% for a fixed rate of 7.9% over the remaining term of the underlying notes. The objective and strategy for undertaking this Interest Rate Swap was to hedge the exposure to variability in expected future cash flows as a result of the floating interest rate associated with the Company s debt due in 2012.

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

The Company accounted for this interest rate swap as a cash flow hedge and assumes that there is no ineffectiveness in the hedging relationship and recognizes in other comprehensive income the entire change in the fair value of the swap. For the nine months ended September 30, 2005, the Company reported a net gain in other comprehensive income of $238, net of tax of $128.

15. Condensed Consolidating Financial Information

As discussed in Note 5, on February 11, 2005, the Company completed a refinancing which consisted of the sale of the Senior Notes and entered into the New Revolver Loan. The Senior Notes are guaranteed on a senior basis by each of the Company s domestic and United Kingdom restricted subsidiaries. The guarantor subsidiaries are 100% owned and the guarantees are made on a joint and several basis and are full and unconditional. The following guarantor and non-guarantor condensed financial information gives effect to the guarantee of the Senior Notes by each of our domestic and United Kingdom restricted subsidiaries. These statements differ from our historical audited and unaudited interim financial statements because they reflect the guarantee by the

Company s United Kingdom subsidiary of the Senior Notes, which was not previously provided to the existing Subordinated Notes. As a result of the refinancing, the Company s United Kingdom subsidiary now guarantees the existing Subordinated Notes on a senior subordinated basis along with the Company s domestic subsidiaries. The following condensed consolidating financial statements are required in accordance with Regulation S-X Rule 3-10:

Balance sheets as of September 30, 2005 and December 31, 2004;

Statements of operations for the three months and nine months ended Sept. 30, 2005 and Sept. 30, 2004; and

Statements of cash flows for the nine months ended September 30, 2005 and September 30, 2004.

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 2005

(in thousands)

(unaudited)

	Parent	Guarantor	Non-Guarantor	Eliminations	Total Company
Assets					
Current assets					
Cash and cash equivalents	$	$ 5,677	$ 2,410	$	$ 8,087
Inter-company receivable		65,355	4,451	(69,806)	
Accounts receivable, net		83,117	16,897		100,014
Inventories, net		89,235	8,938		98,173
Prepaid expenses and other current assets		14,285	600		14,885
Total current assets		257,669	33,296	(69,806)	221,159
Property plant and equipment, net		149,941	8,051		157,992
Goodwill		148,813			148,813
Investments	423,664	17,360		(441,024)	
Other assets	11,336	8,621			19,957
Total assets	$ 435,000	$ 582,404	$ 41,347	$ (510,830)	$ 547,921
Liabilities, Minority Interests and Stockholders Equity (Deficit)					
Current Liabilities					
Short-term debt	$ 3,658	$	$ 1,525	$	$ 5,183
Inter-company payable	61,585	3,798	4,423	(69,806)	
Accounts payable and accrued liabilities	8,234	124,556	15,359		148,149
Income taxes payable		674	(219)		455
Total current liabilities	73,477	129,028	21,088	(69,806)	153,787
Long-term debt, net of current portion	393,139				393,139
Pension and post-retirement liabilities		15,810	12		15,822
Deferred income taxes		8,068	97		8,165
Other liabilities		5,834	470		6,304
Total liabilities	466,616	158,740	21,667	(69,806)	577,217
Minority interests			2,320		2,320
Stockholders equity (deficit)	(31,616)	423,664	17,360	(441,024)	(31,616)

Total liabilities, minority interests and stockholders equity (deficit)	$ 435,000	$ 582,404	$ 41,347	$ (510,830)	$ 547,921

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2004

(in thousands)

(unaudited)

	Parent	Guarantor	Non-Guarantor	Eliminations	Total Company
Assets					
Current assets					
Cash and cash equivalents	$	$ 6,791	$ 2,525	$	$ 9,316
Inter-company receivable		38,173	1,263	(39,436)	
accounts receivable, net		67,252	17,064		84,316
Inventories, net		92,354	11,595		103,949
Prepaid expenses and other current assets		16,322	632		16,954
Total current assets		220,892	33,079	(39,436)	214,535
Property plant and equipment, net		177,796	16,716		194,512
Goodwill		148,813			148,813
Investments	436,756	23,694		(460,450)	
Other assets	11,323	11,093	1		22,417
Total assets	$ 448,079	$ 582,288	$ 49,796	$ (499,886)	$ 580,277
Liabilities, Minority Interests and Stockholders Equity					
Current Liabilities					
Short-term debt	$ 18,248	$	$ 1,540	$	$ 19,788
Inter-company payable	35,488	439	3,509	(39,436)	
Accounts payable and accrued liabilities	1,709	110,476	16,220		128,405
Income taxes payable		1,141	131		1,272
Total current liabilities	55,445	112,056	21,400	(39,436)	149,465
Long-term debt, net of current portion	368,637				368,637
Pension and post-retirement liabilities		17,460	15		17,475
Deferred income taxes		9,826	2,003		11,829
Other liabilities		6,190	397		6,587
Total liabilities	424,082	145,532	23,815	(39,436)	553,993
Minority interests			2,287		2,287
Stockholders equity	23,997	436,756	23,694	(460,450)	23,997

Total liabilities, minority interests and stockholders equity	$ 448,079	$ 582,288	$ 49,796	$ (499,886)	$ 580,277

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005

(in thousands)

(unaudited)

	Parent	Guarantor	Non-Guarantor	Eliminations	Total Company
Net sales	$	$ 233,055	$ 25,988	$	$ 259,043
Cost of products sold, excluding depreciation		209,398	24,474		233,872
Depreciation		10,592	733		11,325
Gross profit		13,065	781		13,846
Selling and administrative expenses		5,938	435		6,373
Research and technology expenses		1,614			1,614
Interest expense	9,533	195	56		9,784
Asset impairment charge		16,500	5,700		22,200
Foreign exchange adjustments		(68)	(5)		(73)
Other expenses, net	195	389	(16)		568
Income (loss) before taxes	(9,728)	(11,503)	(5,389)		(26,620)
Benefit (provision) for income taxes		2,505	662		3,167
Equity earnings	(13,739)	(4,741)		18,480	
Minority interest			(14)		(14)
Net income (loss)	$ (23,467)	$ (13,739)	$ (4,741)	$ 18,480	$ (23,467)

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004

(in thousands)

(unaudited)

	Parent	Guarantor	Non-Guarantor	Eliminations	Total Company
Net sales	$	$ 198,556	$ 25,974	$	$ 224,530
Cost of products sold, excluding depreciation		174,448	24,034		198,482
Depreciation		12,132	963		13,095
Gross profit		11,976	977		12,953
Selling and administrative expenses		6,958	470		7,428
Research and technology expenses		1,534	1		1,535
Interest expense	9,791	147	64		10,002
Foreign exchange adjustments		66	30		96
Other expenses, net		(457)	(45)		(502)
Income (loss) before taxes	(9,791)	3,728	457		(5,606)
Benefit (provision) for income taxes		357	(225)		132
Equity earnings	4,317	232		(4,549)	
Minority interest					
Net income (loss)	$ (5,474)	$ 4,317	$ 232	$ (4,549)	$ (5,474)

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

(in thousands)

(unaudited)

	Parent	Guarantor	Non-Guarantor	Eliminations	Total Company
Net sales	$	$ 666,548	$ 79,132	$	$ 745,680
Cost of products sold, excluding depreciation		605,972	74,985		680,957
Depreciation		31,669	2,388		34,057
Gross profit		28,907	1,759		30,666
Selling and administrative expenses		16,156	1,356		17,512
Research and technology expenses		4,660			4,660
Write off of deferred financing costs	10,025				10,025
Interest expense	28,096	547	178		28,821
Asset impairment charge		16,500	5,700		22,200
Foreign exchange adjustments		824	179		1,003
Other expenses, net	883	129	(92)		920
Income (loss) before taxes	(39,004)	(9,909)	(5,562)		(54,475)
Benefit (provision) for income taxes		2,707	585		3,292
Equity earnings	(12,212)	(5,010)		17,222	
Minority interest			(33)		(33)
Net income (loss)	$ (51,216)	$ (12,212)	$ (5,010)	$ 17,222	$ (51,216)

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

(in thousands)

(unaudited)

	Parent	Guarantor	Non-Guarantor	Eliminations	Total Company
Net sales	$	$ 564,296	$ 78,056	$	$ 642,352
Cost of products sold, excluding depreciation		495,629	71,303		566,932
Depreciation		36,237	2,935		39,172
Gross profit		32,430	3,818		36,248
Selling and administrative expenses		18,297	1,388		19,685
Research and technology expenses		4,051	1		4,052
Interest expense	29,377	441	154		29,972
Foreign exchange adjustments		82	421		503
Other expenses, net		(357)	368		11
Income (loss) before taxes	(29,377)	9,916	1,486		(17,975)
Benefit (provision) for income taxes		399	(715)		(316)
Equity earnings	11,105	790		(11,895)	
Minority interest			19		19
Net income (loss)	$ (18,272)	$ 11,105	$ 790	$ (11,895)	$ (18,272)

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

(in thousands)

(unaudited)

	Parent	Guarantor	Non-Guarantor	Eliminations	Total Company
Cash flows from operating activities					
Net income (loss)	$ (51,216)	$ (12,212)	$ (5,010)	$ 17,222	$ (51,216)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:					
Depreciation and amortization	883	31,474	2,388		34,745
Asset impairment charge		16,500	5,700		22,200
Earned compensation on restricted stock		534			534
Write off of deferred financing costs	6,556				6,556
Equity earnings	12,212	5,010		(17,222)	
Change in assets and liabilities, net	6,619	4,830	(2,228)		9,221
Net cash provided by operating activities	(24,946)	46,136	850		22,040
Cash flows from investing activities					
Purchases of property, plant and equipment, net		(23,067)	(933)		(24,000)
Proceeds from sale of property, plant and equipment		570			570
Net cash used in investing activities		(22,497)	(933)		(23,430)
Cash flows from financing activities					
Proceeds from sale of Senior Notes	220,000				220,000
Repayment of term loan	(121,941)				(121,941)
Proceeds from Revolver Loan	559,000				559,000
Repayment of Revolver Loan	(572,342)				(572,342)
Repayment of second lien loan	(75,000)				(75,000)
Costs associated with debt refinancing	(10,774)				(10,774)
Change in outstanding cash overdrafts		1,768			1,768
Net change in Constar inter-company loans	26,003	(26,248)	245		
Other financing activities, net		(69)	(15)		(84)
Net cash provided by financing activities	24,946	(24,549)	230		627
Effect of exchange rate changes on cash and cash equivalents		(204)	(262)		(466)
Net change in cash and cash equivalents		(1,114)	(115)		(1,229)
Cash and cash equivalents at beginning of period		6,791	2,525		9,316

Cash and cash equivalents at end of period	$	$ 5,677	$ 2,410	$	$ 8,087

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CONSTAR INTERNATIONAL INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

(in thousands)

(unaudited)

	Parent	Guarantor	Non-Guarantor	Eliminations	Total Company
Cash flows from operating activities					
Net income (loss)	$ (18,272)	$ 11,105	$ 790	$ (11,895)	$ (18,272)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:					
Depreciation and amortization	1,879	36,237	2,935		41,051
Earned compensation on restricted stock		533			533
Equity earnings	(11,105)	(790)		11,895	
Change in assets and liabilities, net	4,579	(4,980)	(430)		(831)
Net cash (used in) provided by operating activities	(22,919)	42,105	3,295		22,481
Cash flows from investing activities					
Purchases of property, plant and equipment, net		(15,352)	(3,717)		(19,069)
Proceeds from sale of property, plant and equipment		18			18
Net cash used in investing activities		(15,334)	(3,717)		(19,051)
Cash flows from financing activities					
Repayment of Term B Loan	(936)				(936)
Proceeds from Revolver Loan	33,000				33,000
Repayment of Revolver Loan	(33,000)				(33,000)
Change in outstanding overdrafts		(2,581)			(2,581)
Net change in Constar intercompany loans	23,855	(23,855)			
Net cash provided by (used in) financing activities	22,919	(26,436)			(3,517)
Effect of exchange rate changes on cash and cash equivalents		94	(28)		66
Net change in cash and cash equivalents		429	(450)		(21)
Cash and cash equivalents at beginning of period		12,319	4,159		16,478
Cash and cash equivalents at end of period	$	$ 12,748	$ 3,709	$	$ 16,457

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

Overview

The Company is a manufacturer of PET plastic containers for food and beverages. Approximately 76% of the Company s revenues for the first nine months of 2005 were generated in the United States, with the remainder attributable to its European operations. During the first nine months of 2005, one customer accounted for approximately 32% of the Company s consolidated revenues, while the top ten customers accounted for an aggregate of approximately 75% of the Company s consolidated revenues. Approximately 79% of the Company s sales for the first nine months of 2005 relate to conventional PET containers which are primarily used for carbonated soft drinks and bottled water. These products generally carry low profit margins. Profitability is driven principally by volume and maintaining efficient manufacturing operations. In recent years, the largest growth within conventional products has come from bottled water. The Company believes that in the long run, profitability from bottled water may decline as economic factors force some water bottlers into self manufacturing of PET bottles and some smaller water bottlers out of business. The Company does not expect appreciable growth in the carbonated soft drink market in the near term.

In addition to the conventional product lines, the Company is also a producer of higher margin custom products that are used in such packaging applications as hot-fill beverages, food, beer and flavored alcoholic beverages, most of which require containers with special performance characteristics. Approximately 17% of the Company s sales for the first nine months of 2005 relate to custom PET containers. Critical success factors in the custom PET market include technology, design capabilities and expertise with specialized equipment. The technology required to produce certain types of custom products is commonly available, which has resulted in increased competition and lower margins for such products.

In recent years, the PET packaging industry has experienced very competitive pricing conditions. Pricing pressure continues especially for custom products that can be produced with commercially available technology. Pricing pressure for conventional products has been minimal this year and domestic conventional capacity continues to show signs of tightening. Many of the Company s largest contracts are scheduled to expire over the next few years. The Company s main contract with PepsiCo, its largest customer, expires on December 31, 2007.

In negotiations with certain customers for new business and the extension of current business, the Company has agreed to price concessions averaging approximately $6.0 million to $16.0 million for each year 2005, 2006 and 2007, with the most significant reductions scheduled to take place in 2005. The Company believes that it will continue to face two additional significant sources of pricing pressure. The first source is customer consolidation. When smaller customers combine or are acquired by larger customers or customers purchase through buying cooperatives and thereby aggregate purchasing power, the profitability of Constar s business with these smaller customers tends to decline. In addition, as customers grow through acquisitions, they acquire more leverage in contract negotiations. The Company will negotiate aggressively and seek to minimize the impact of customer consolidation. The second source of pricing pressure is contractual provisions that permit customers to terminate contracts if the customer receives an offer from another manufacturer that the Company chooses not to match. The Company is seeking to remove these provisions in all new contracts and contract renewals.

Constar is currently attempting to improve its margins by improving customer and product mix, increasing prices on certain products, maximizing utilization rates, updating existing facilities and investing in cost reduction and efficiency improvements. If the Company is unsuccessful in these efforts, its ability to maintain its current operating margins will be adversely affected. Constar has recently operated at high utilization rates; however the Company does not intend to invest in additional capacity in the low margin conventional business until overall margins and prices increase to levels where acceptable returns can be achieved.

The primary raw material and component cost of the Company s products is PET resin, which is a commodity available globally. The price of PET resin is subject to frequent fluctuations as a result of raw

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material costs, overseas markets, PET production capacity and seasonal demand. Following a period of dramatic price increases, the price of PET resin began to decline in the beginning of the third quarter but sharply increased as a result of recent hurricanes in the southeast United States that limited raw material production capacity and resin availability. The Company has been able to secure sufficient PET resin to date to service customer needs. Constar is one of the largest purchasers of PET resin in North America, which it believes provides it with negotiating leverage necessary to obtain PET resin on favorable terms. However, higher resin prices may impact the demand for PET packaging where customers have a choice between PET and other forms of packaging.

Substantially all of the Company s sales are made under contracts that allow for the pass through of changes in the price of PET resin. An industry index that monitors PET resin price movement and which is used for the resin pass-through mechanisms of customer agreements representing approximately 25% of the Company s net sales made a significant non-market adjustment in its January 2005 report to re-set its index basis. Because this adjustment does not reflect changes in current resin costs, Constar believes it should not result in a decrease in its resin prices as reflected in the pass-through provisions in its customer contracts that use this index. Accordingly, the Company has not passed through this decrease to its customers. One such customer, Mott s Inc., began reducing its payments to the Company to give effect to the non-market adjustment. The Company has commenced legal action against Mott s and Mott s has filed a counterclaim. To the extent the Company is required to give effect to the non-market adjustment, its sales and margins will be affected insofar as its costs will not have decreased correspondingly.

PET bottle manufacturing is capital intensive, requiring both specialized production equipment and significant support infrastructure for power, high pressure air and resin handling. Constar believes that the introduction of new PET technologies has created significant opportunities for the conversion of glass containers to PET containers for bottled teas, beer, flavored alcoholic beverages and food applications. These conversion opportunities will require significant capital expenditures to obtain the appropriate production equipment. The Company s New Revolver Loan imposes maximum capital expenditures of $45.0 million in 2005, $42.5 million in 2006, $47.5 million in 2007 and $47.5 million in 2008. These capital expenditure covenants allow for the carry forward of a certain amount of spending below covenant levels in previous periods. If Constar is awarded a significant volume of conversions over a short period of time, it may have to obtain waivers or amendments to these covenants.

In order to capture economies of scale, the Company favors large plants located within a few hours driving distance of the major markets that it services. Normally, this proximity helps the Company to minimize freight costs. However, in order to meet its customers requirements, the Company must sometimes manufacture products out of territory at a plant that is not its closest plant to the necessary delivery location. This increases freight costs, and depending on the circumstances, the Company may be required to bear the additional freight costs. These out of territory freight costs tend to peak during the second and third quarters, when the Company s customers requirements are at their highest. In addition, any general increase in freight rates may impact the Company s margins to the extent that its contracts do not permit it to pass the increase through to its customers.

During the third quarter, the Company s operation located in the United Kingdom reported financial results below expectations. These results were due to a sales volume shortfall and excess costs incurred to service these reduced volumes. The Company s operations located in Holland also reported financial results below expectations and a reduction from the previous quarter s results. These shortfalls are more directly related to competitive activities and weak customer demand. While the Company implemented key initiatives during the second quarter to improve these operating results, neither of these facilities has been able to achieve its forecasted operating targets. As a result of the shortfall in performance and results below revised expectations, the Company performed an interim impairment test as of September 30, 2005. In accordance with SFAS No. 144 Accounting for the Impairment or Disposal of Long-lived Assets , the impairment test was based on the undiscounted cashflows from the asset base as compared to the carrying value of those assets. Based on these reduced earnings expectations, the undiscounted cashflows of both the UK and Holland operations were insufficient to recover the carrying value of these assets over the remaining useful lives. The Company then calculated the fair value of the assets of both operations based on discounted projected net cashflows and recorded a fixed asset impairment loss of $22.2 million for these operations to write the asset carrying values down to fair value. The total loss of $22.2 million is based on a write down of $16.5 million for the UK operation and $5.7 million for the Holland facility. The Company will continue to monitor closely these operations and the different risks that may impact future carrying value of these assets.

The Company is highly leveraged. As of September 30, 2005, the Company s debt structure consisted of the $70.0 million New Revolver Loan, $220.0 million of Senior Notes and $175.0 million of Subordinated Notes. As of September 30, 2005, the Company had $3.7 million borrowed under the New Revolver Loan, $11.9 million outstanding on letters of credit and was fully drawn on the other instruments. Interest expense for the nine months ended September 30, 2005 was $28.8 million. The Company was in compliance with the financial covenants of these debt instruments at September 30, 2005.

Results of Operations

Third Quarter 2005 and 2004

Net Sales (dollars in millions)

	Three Months Ended Sept. 30,			
	2005	2004	Increase (Decrease)	Increase (Decrease)
United States	$ 198.1	$ 166.7	$ 31.4	18.8%
Europe	60.9	57.8	3.1	5.4%
Total	$ 259.0	$ 224.5	$ 34.5	15.4%

Net sales increased by $34.5 million, or 15.4%, to $259.0 million in the third quarter of 2005 from $224.5 million in the third quarter of 2005. The increase in consolidated net sales was primarily driven by the pass through of higher resin prices and increased shipments of both conventional and custom products in the U.S. The pass through of higher resin prices and favorable foreign currency translation combined for a total increase in consolidated net sales of approximately $23 million over the third quarter of 2004.

In the U.S., net sales increased $31.4 million, or 18.8%, to $198.1 million in the third quarter of 2005 from $166.7 million in the third quarter of 2004. Net sales in the U.S. accounted for approximately 76.5% of net sales in the third quarter of 2005 compared to 74.3% of net sales in the third quarter of 2004. The increase in U.S. net sales in the third quarter of 2005 from the third quarter of 2004 reflects the pass-through of higher resin prices to customers and increased sales of both conventional and custom units. Conventional unit volumes increased 9.3% while shipments of custom units increased by approximately 28.3% over the third quarter 2004 volumes. These increases were partly offset by approximately $4.0 million of previously agreed to price concessions that were given in exchange for additional volume and contract extensions.

In Europe, net sales increased $3.1 million, or 5.4%, to $60.9 million in the third quarter of 2005 from $57.8 million in the third quarter of 2004. The increase in European net sales in the third quarter of 2005 compared to the third quarter of 2004 was primarily due to the pass through of higher resin prices and the strengthening of the British Pound and Euro against the U.S. Dollar.

Gross Profit

Gross profit increased $0.9 million, or 6.9%, to $13.8 million in the third quarter of 2005. Gross profit increased as a result of an increase in unit sales and a related increase in manufacturing efficiencies in the U.S.

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These increases were offset by previously agreed to price concessions implemented to extend key contracts and meet competitive pricing, increased transportation and utility costs and decreased profitability in Europe due to continued manufacturing inefficiencies and negative product mix.

Selling and Administrative Expenses

Selling and administrative expenses decreased by $1.0 million, or 14.2%, to $6.4 million in the third quarter of 2005 from $7.4 million in the third quarter of 2004. The decease primarily relates to a reduction in costs associated with Sarbanes-Oxley compliance efforts.

Research and Technology Expenses

Research and technology expenses were $1.6 million in the third quarter of 2005 compared to $1.5 million in the third quarter of 2004.

Interest Expense

Interest expense decreased $0.2 million to $9.8 million in the third quarter of 2005 from $10.0 million in the third quarter of 2004. This decrease primarily relates to a decrease in the Company s effective interest rate due to the February 2005 refinancing partially offset by an increase in current interest rates as compared to the rates outstanding during the third quarter of 2004.

Asset Impairment Charge

In the third quarter of 2005, the Company recorded an asset impairment charge of approximately $22.2 million to write down the carrying value of certain assets to fair value. The charge was the result of the declining profitability and financial results below expectations in the United Kingdom and Holland operations.

Foreign Exchange Adjustments

Foreign exchange adjustments were approximately $0.1 million gain in the third quarter of 2005 compared to $0.1 million of expense in the third quarter of 2004. These adjustments primarily relate to changes in the foreign currency translation rates of intra-company balances.

Other (Income) Expenses, Net

Other (income) expenses, net was $0.5 million of expense in the third quarter of 2005 compared to $0.5 million of income in the third quarter of 2004. During the third quarter of 2004, the Company recognized income of $1.2 million related to a licensing agreement pertaining to its oxygen scavenging technology.

Benefit (Provision) for Income Taxes

Loss before taxes was $26.6 million for the third quarter 2005 compared to a loss before taxes of $5.6 million for the third quarter 2004.

A benefit for income taxes was $3.2 million for the third quarter of 2005 compared to a benefit of $0.1 million for the third quarter of 2004. The tax benefit for the third quarter of 2005 relates primarily to benefits from the asset impairment charge. The tax benefit for the third quarter of 2004 relates primarily to the loss generated in the European operations. During the third quarter of 2005, the Company recorded a valuation allowance of $4.4 million to reduce deferred tax assets in the U.S. and certain other foreign locations.

Net Loss

Net loss was $23.5 million for the third quarter 2005 compared to a net loss of $5.5 million for the third quarter 2004. The increase in the net loss in the third quarter 2005 was primarily related to the asset impairment charge.

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Nine Months Ended September 30, 2005 and 2004

Net Sales (dollars in millions)

	Nine Months Ended Sept. 30,			
	2005	2004	Increase (Decrease)	Increase (Decrease)
United States	$ 569.3	$ 472.1	$ 97.2	20.6%
Europe	176.4	170.3	6.1	3.6%
Total	$ 745.7	$ 642.4	$ 103.3	16.1%

Net sales increased by $103.3 million, or 16.1%, to $745.7 million for the nine months ended September 30, 2005 from $642.4 million for the nine months ended September 30, 2004. The increase in consolidated net sales was primarily driven by the pass through of higher resin prices, increased sales units and favorable foreign currency translation. The pass through of higher resin prices and favorable foreign currency translation combined for a total increase in consolidated net sales of approximately $93 million over the nine months ended September 30, 2004.

In the U.S., net sales increased $97.2 million, or 20.6%, to $569.3 million for the nine months ended September 30, 2005 from $472.1 million for the nine months ended September 30, 2004. The increase in U.S. net sales in 2005 reflects the pass-through of higher resin prices to customers and increased sales of both conventional and custom units. Conventional unit volumes increased 6.5% while shipments of custom units increased by approximately 19.5% over the nine months ended September 30, 2004 volumes. These increases were partly offset by approximately $12 million of previously agreed to price concessions that were given in exchange for additional volume and contract extensions.

In Europe, net sales increased $6.1 million, or 3.6%, to $176.4 million for the nine months ended September 30, 2005 from $170.3 million for the nine months ended September 30, 2004. The increase in European net sales in 2005 was due to the pass through of higher resin prices and the strengthening of the British Pound and Euro against the U.S. Dollar partially offset by a reduction in units sold of approximately 5.1%.

Net sales in the U.S. accounted for approximately 76.3% of net sales for the nine months ended September 30, 2005 compared to 73.5% of net sales for the same period in 2004.

Gross Profit

Gross profit decreased $5.5 million, or 15.4%, to $30.7 million for the nine months ended September 30, 2005 from $36.2 million for the nine months ended September 30, 2004. Gross profit decreased as a result of previously agreed to price concessions implemented to extend key contracts and meet competitive pricing, decrease in European volumes and increased transportation and utility costs. The reductions were partially offset by an increase in unit sales and a related increase in manufacturing efficiencies in the U.S.

Selling and Administrative Expenses

Selling and administrative expenses decreased by $2.2 million, or 11.0%, to $17.5 million for the nine months ended September 30, 2005 from $19.7 million for the nine months ended September 30, 2004. The decrease primarily relates to a reduction in costs associated with Sarbanes-Oxley compliance efforts and incentive compensation charges.

Research and Technology Expenses

Research and technology expenses were $4.7 million for the nine months ended September 30, 2005 compared to $4.1 million for the nine months ended September 30, 2004. The increase in expenses relate to

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additional spending for the Company s existing proprietary technologies, new emerging technologies, and an increase in customer development activity.

Write off of Deferred Financing Costs and Other Fees

In connection with its February 2005 refinancing, the Company repaid amounts outstanding under its former revolving loan facility and two term loans. As a result of these repayments, the Company wrote off the majority of the deferred financing costs related to these three facilities of approximately $6.5 million and incurred prepayment penalties of approximately $3.5 million.

Interest Expense

Interest expense decreased $1.2 million to $28.8 million for the nine months ended September 30, 2005 from $30.0 million for the nine months ended September 30, 2004. This decrease primarily relates to a decrease in the Company s effective interest rate due to the February 2005 refinancing partially offset by an increase in current interest rates as compared to the rates outstanding during the nine months ended September 30, 2004.

Asset Impairment Charge

In the third quarter of 2005, the Company recorded an asset impairment charge of approximately $22.2 million to write down the carrying value of certain assets to fair value. The charge was primarily the result of the declining profitability and financial results below expectations in the United Kingdom and Holland operations.

Foreign Exchange Adjustments

Foreign exchange adjustments were approximately $1.0 million expense for the nine months ended September 30, 2005 compared to $0.5 million expense for the nine months ended September 30, 2004. These adjustments primarily relate to changes in the foreign currency translation rates of intra-company balances.

Other (Income) Expenses, Net

Other (income) expenses, net was $0.8 million expense for the nine months ended September 30, 2005. The other expense during the nine months ended September 30, 2005 primarily related to bad debt expense and earned compensation expense for restricted stock, which were partially offset by income from royalties. During the nine months ended September 30, 2004, the Company recognized income of $1.2 million related to a licensing agreement pertaining to its oxygen scavenging technology offset by a $0.5 million net charge for costs incurred from a fire at one of its European facilities.

Benefit (Provision) for Income Taxes

Loss before taxes was $54.5 million for the nine months ended September 30, 2005 compared to a loss before taxes of $18.0 million for the same period in 2004.

A benefit for income taxes was $3.3 million for the nine months ended September 30, 2005 compared to an expense of $0.3 million for the nine months ended September 30, 2004. The tax benefit in 2005 primarily related to the asset impairment charge. During the nine months ended September 30, 2005, the Company recorded a valuation allowance of $13.7 million to reduce deferred tax assets in the U.S. and certain other foreign locations.

Net Loss

Net loss was $51.2 million for the nine months ended September 30, 2005 compared to a net loss of $18.3 million for the nine months ended September 30, 2004. The increase in the net loss in 2005 compared to 2004 was primarily related to the asset impairment charge, the write off of deferred financing costs and prepayment penalties associated with the 2005 refinancing.

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Liquidity and Capital Resources

On November 20, 2002, the Company completed its public offering of $175.0 million aggregate principal amount of 11% Senior Subordinated Notes (Subordinated Notes) due 2012. The Notes were issued at 98.51% of face value and will mature on December 1, 2012. Interest on the Notes is payable semi-annually on each December 1 and June 1.

On February 11, 2005, the Company completed a refinancing which consisted of the sale of $220.0 million of Senior Secured Floating Rate Notes due 2012 (Senior Notes) and entered into a new four year $70.0 million Senior Secured Asset Based Revolving Credit Facility (New Revolver Loan). The proceeds, net of expenses, from the refinancing were used to repay amounts outstanding under the Company s former revolving loan and two term loans. In connection with the repayment and termination of these facilities, the Company incurred approximately $3.5 million of prepayment penalties. The Company completed its February 11, 2005 refinancing in part because it would not have been in compliance in 2005 with certain financial covenants included in the former revolving loan and two term loans. As a result of this February 11, 2005 refinancing, the Company has extended its debt maturities, reduced its effective interest borrowing rates and created less restrictive financial covenants. The Subordinated Notes were not refinanced.

The Senior Notes bear interest at the rate of three-month LIBOR plus 3.375% per annum. Interest on the Senior Notes is reset quarterly. During May 2005, the Company entered into an interest rate swap for a notional amount of $100 million. The Company effectively exchanged its floating interest rate of LIBOR plus 3.375% for a fixed rate of 7.9% through the period ending February 2012. Interest on the Senior Notes is payable quarterly on each February 15, May 15, August 15 and November 15, commencing on May 15, 2005. The Senior Notes will mature on February 15, 2012. The Company may redeem some or all of the Senior Notes at any time on or after February 15, 2007, under the circumstances and at the prices described in the indenture governing the Senior Notes. In addition, prior to February 15, 2007, the Company may also redeem up to 35% of the Senior Notes with the net proceeds of certain equity offerings. The Senior Notes contain provisions that require the Company to make mandatory offers to purchase outstanding amounts in connection with a change of control, asset sales and events of loss.

The Subordinated Notes bear interest at a rate of 11% per annum. Interest on the Subordinated Notes is payable semi-annually on each December 1 and June 1. The Company may redeem some or all of the Subordinated Notes at any time on and after December 1, 2007, under the circumstances and at the prices described in the indenture governing the Subordinated Notes. In addition, prior to December 1, 2005, the Company may redeem up to 35% of the Subordinated Notes with the net proceeds of certain equity offerings. If the Company experiences a change of control, holders of the Subordinated Notes may require the Company to repurchase the Subordinated Notes. The Subordinated Notes also contain provisions that require the Company to repurchase Subordinated Notes in connection with certain asset sales.

Each of the Company s current and future domestic and United Kingdom restricted subsidiaries will guarantee the Senior Notes. The Senior Notes and the guarantees rank equally with the Company s existing and future senior debt and rank senior to its current and future subordinated debt. The Senior Notes and the guarantees thereof are secured by a first priority lien on (i) the Company s and the note guarantors real property located in the United States and the United Kingdom which is owned by them on February 11, 2005, (ii) leasehold interests in certain of the real property located in the United States that the Company or a note guarantor leases on February 11, 2005, and (iii) substantially all of the equipment and other fixed assets related to such properties, in each case, subject to certain exceptions. The collateral does not include other types of assets, such as inventory, accounts receivable, investment property, instruments, chattel paper, documents, deposit accounts or other intangible assets, or the capital stock of our subsidiaries.

All of the existing and future U.S. and U.K. subsidiaries of the Company that guarantee the Senior Notes will also guarantee the payment of the principal, premium and interest on the Subordinated Notes on an unsecured senior subordinated basis.

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The Senior Notes have been issued under an indenture, dated as of February 11, 2005, with the Bank of New York, as trustee. The indenture governing the Senior Notes and the indenture governing the Subordinated Notes restrict, among other things, the Company s ability, and the ability of the Company s restricted subsidiaries to:

borrow additional money;

pay dividends on Company stock or repurchase Company stock;

make payment on or redeem or repurchase junior debt;

make investments;

create liens;

create restrictions on the payment of dividends or other amounts to the Company from the Company s restricted subsidiaries;

enter into transactions with affiliates;

sell assets or consolidate or merge with or into other companies; and

expand into unrelated businesses.

The indentures governing the Senior Notes and the Subordinated Notes include such events of default as failure to pay principal or interest due on the applicable notes, failure to observe certain covenants, failure to pay certain indebtedness after final maturity or acceleration, failure to pay certain judgments, and insolvency.

If an event of default shall occur and be continuing under the indenture governing the Subordinate Notes or the indenture governing the Senior Notes, either the trustee or the holders of a specified percentage of the applicable notes may accelerate the maturity of such notes. The covenants, events of default and acceleration rights described above are subject to important exceptions and qualifications, which are described in the indentures filed by the Company with the SEC.

Both the Senior Notes and the Subordinated Notes limit the incurrence of additional indebtedness unless a certain financial covenant is met. The financial covenant under the Subordinated Notes is more restrictive than the covenant under the Senior Notes.

The Company can incur additional indebtedness under the Subordinated Notes indenture that could be senior indebtedness to the extent that, after incurring such debt, the Company would have a Consolidated Fixed Charge Coverage Ratio (as defined in the indenture for the Subordinated Notes) of greater than 2.25 to 1.0. However, even if the Company is unable to borrow under this ratio, the indenture for the

Subordinated Notes permits the Company and the guarantor subsidiaries to incur at least $275.0 million in indebtedness that could be senior to the indebtedness under the Subordinated Notes, plus other indebtedness that may be incurred in specific circumstances or for permitted uses. This indebtedness may be senior to or in certain circumstances equal in right of payment with the Subordinated Notes. Any of the Company s non-U.S. restricted subsidiaries, other than Constar International U.K. Limited, may also incur up to $25.0 million of additional indebtedness. The Company s ability to incur additional debt is subject to other exceptions, terms and conditions set forth in the indenture for the Subordinated Notes.

The Company can incur additional indebtedness under the indenture for the Senior Notes that could rank equal in right of payment with the Senior Notes to the extent that, after incurring such debt, the Company would have a Consolidated Fixed Charge Coverage Ratio (as defined in the indenture for the Senior Notes) of greater than 2.0 to 1.0. However, even if the Company is unable to borrow under this ratio, the indenture for the notes permits the Company and the guarantor subsidiaries to incur at least $125.0 million in indebtedness that could rank equal in right of payment with the indebtedness under the Senior Notes, plus other indebtedness that may be incurred in specific circumstances or for permitted uses. This indebtedness may be effectively senior to or equal

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in right of payment with the Senior Notes. Any of the Company s non-U.S. restricted subsidiaries, other than Constar International U.K. Limited, may also incur up to $25.0 million of additional indebtedness. The Company s ability to incur additional debt is subject to other exceptions, terms and conditions set forth in the indenture for the Senior Notes.

During September 2005, the Company completed an exchange offer with respect to the Senior Notes consistent with the requirements of the Senior Notes.

In connection with this refinancing, the Company and its subsidiary Constar International U.K. Limited (Constar UK) entered into a Supplemental Indenture, dated as of February 11, 2005, among the Company, Constar UK, the Note Guarantors party thereto and Wells Fargo Bank, National Association, as trustee, to the Indenture, dated as of November 20, 2002, relating to the Company s Subordinated Notes. The purpose of the Supplemental Indenture was to add Constar UK as a guarantor to the Subordinated Notes issued pursuant to such indenture.

The New Revolver Loan consists of a $70.0 million four-year revolving loan facility, $25.0 million of which is available to provide for the issuance of letters of credit. The New Revolver Loan also includes a $15.0 million swing loan subfacility. The obligations under the New Revolver Loan are guaranteed by each of the Company s existing and future domestic and United Kingdom subsidiaries (subject to certain exceptions). Borrowings under the New Revolver Loan are limited to the lesser of (1) $70.0 million or (2) a borrowing base comprised of the sum of (i) up to 85% of the Company s and its domestic subsidiaries eligible trade accounts receivable, (ii) up to 80% of eligible trade accounts receivable of Constar International U.K. Limited, (iii) the lesser of (A) up to 85% of the net orderly liquidation value of the Company s and its domestic subsidiaries eligible inventory and (B) up to 75% of the Company s and its domestic subsidiaries eligible inventory (valued at the lower of cost on a first-in, first-out basis and market), and (iv) the lesser of (A) up to 80% of the net orderly liquidation value of eligible inventory of Constar International U.K. Limited and (B) up to 70% of eligible inventory of Constar International U.K. Limited (valued at the lower of cost on a first-in, first-out basis and market), less in the case of both receivables and inventory discretionary eligibility reserves. In addition, the administrative agent under the New Revolver Loan may impose discretionary reserves against the entire facility. As of September 30, 2005, the Company had borrowings under the New Revolver Loan of $3.7 million and available credit of $54.4 million. Based on the September 30, 2005 balance sheet, the Company s borrowing base was approximately $86.1 million.

The Company pays a monthly commitment fee equal to 0.5% per year on the undrawn portion of the New Revolver Loan. The Company also pays fees on any letters of credit outstanding under the New Revolver Loan. The New Revolver Loan initially bears interest at a rate equal to a Base Rate plus 1.25% or LIBOR plus 2.25%, and after the delivery of financial statements for the fiscal quarter ending June 30, 2005, a Base Rate plus a margin ranging from 1.0% to 1.5% or LIBOR plus a margin ranging from 2.00% to 2.50% depending on average monthly available credit under the New Revolver Loan.

Under the New Revolver Loan, the Company pledged as collateral all of the capital stock of its domestic and United Kingdom subsidiaries and 65% of the voting stock of its other foreign subsidiaries, and all of the inventory, accounts receivable, investment property, instruments, chattel paper, documents, deposit accounts and certain intangibles of its domestic and United Kingdom subsidiaries.

The New Revolver Loan also provides that the Company may request up to a $30.0 million increase in the size of the facility. The lenders are not obligated to grant such increase, and even if it is obtained, our ability to borrow the increased amount will be subject to various conditions contained in the New Revolver Loan and the indentures governing the Senior Notes and the Subordinated Notes.

The New Revolver Loan contains customary affirmative, financial and negative covenants relating to the Company s operations and its financial condition. The affirmative covenants cover matters such as delivery of

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financial information, compliance with law, maintenance of insurance and properties, pledges of assets and payment of taxes. The financial covenants require the Company to maintain a minimum level of available credit of $10.0 million and a minimum interest coverage ratio to be tested only when available credit is less than $15.0 million, and imposes maximum capital expenditures of $45.0 million for 2005, $42.5 million in 2006, $47.5 million in 2007 and $47.5 million in 2008. These capital expenditure covenants allow for the carry forward of a certain amount of spending below covenant levels in previous periods. In order to satisfy significant business awards, including those relating to conversions from other forms of packaging, the Company may need to purchase additional equipment. To the extent such purchases would cause the Company to exceed the capital expenditure restrictions of the New Revolver Loan, the Company would have to obtain the lenders consent before making such purchases. There can be no assurances that the lenders would grant any such consent. As of September 30, 2005, the Company had borrowings under the New Revolver Loan of $3.7 million and available credit of $54.4 million.

The negative covenants in the New Revolver Loan limit the ability of the Company and its subsidiaries to:

- incur additional indebtedness and guarantee obligations;
- create liens;
- make equity investments or loans;
- sell, lease or otherwise dispose of assets;
- pay dividends, make distributions, redeem or repurchase any equity securities;
- prepay, redeem, repurchase or cancel certain indebtedness;
- engage in mergers, consolidations, acquisitions, join ventures or the creation of subsidiaries;
- change the nature of the Company s business;
- engage in transactions with affiliates;
- enter into agreements restricting the Company s ability or the ability of a subsidiary to incur liens, or restricting the ability of a subsidiary to pay dividends to, make or repay loans to, transfer property to, or guarantee indebtedness of, the Company or any of the Company s subsidiaries;
- modify the Company s organizational documents or certain material agreements (including the indenture governing the new notes);
- change the Company s accounting treatment and reporting practices;

- engage in sale and leaseback transactions and operating lease transactions; and

- engage in speculative transactions.

These negative covenants are subject to certain exceptions set forth in the New Revolver Loan.

Events of defaults under the New Revolver Loan include, but are not limited to, a default in the payment of any principal, interest or fees due under the New Revolver Loan, or in the payment of material indebtedness; a breach of representations or covenants; a change in control, which includes a change of control under the indentures governing the Senior Notes and the Subordinated Notes, as well as certain other events under such indentures; the Company becoming subject to certain judgments or pension liabilities; and the insolvency of the Company.

Net cash and cash equivalents decreased by $1.2 million during the nine months ended September 30, 2005 primarily due to the purchases of investment property which was offset by the proceeds from sale of Senior Notes less repayments of its former revolver facility and two term loans.

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The Company believes that cash available under its New Revolver Loan combined with net cash provided by operating activities will be sufficient to finance its activities at least through the next twelve months.

The Company expects to be cash flow negative at least into the second half of 2006. The Company expects to finance ordinary business operations through borrowings under the New Revolver Loan. The Company therefore does not expect to be able to reduce significantly its leverage in the near term.

Cash Flow

Net cash provided by operating activities was $22.0 million in the nine months ended September 30, 2005 as compared to $22.5 million during the nine months ended September 30, 2004. During the first nine months of 2005, the Company s accounts payable and accrued expenses increased $19.7 million as compared to an increase of $23.7 million increase in that balance during the same period in 2004. This increase was a result of higher raw material prices. This increase was more than offset by an increase to accounts receivable of $15.7 million during the first nine months of 2005 as compared to a $29.0 million increase in that balance during the same period in 2004. The increase in accounts receivable, net, reflects the seasonal increase in sales volume during the second and third quarter of the fiscal year compared to the fourth quarter. During the first nine months of 2005, the Company s inventory level decreased $5.8 million as compared to an increase of $4.9 million during the same period in 2004. The decrease in inventory in 2005 was the result of additional sales unit volume and the Company s emphasis to reduce its investment in working capital.

Net cash used for investing activities increased $4.3 million to $23.4 million in the first nine months of 2005 from $19.1 million for the same period in 2004, reflecting an increase in capital spending on equipment for custom products partially offset by reduced spending on equipment for conventional products.

Net cash provided by financing activities was $.6 million in the first nine months of 2005 reflecting net proceeds from the Senior Notes of $220.0 million offset by the repayment of amounts outstanding under its former revolver facility and two term loans of $196.9 million. Costs associated with the debt refinancing were $10.8 million. Net cash used in by financing activities was $0.9 million in the first nine months of 2004 reflecting a repayment on the Term B loan of $0.9 million.

Commitments

Information regarding the Company s contingent liabilities appears in Part I within Item 1 of this report under Note 11 to the accompanying Consolidated Financial Statements, which information is incorporated herein by reference.

Stockholders Equity (Deficit)

Stockholder s equity (deficit) decreased to a $(31.6) million deficit at September 30, 2005 from $24.0 million at December 31, 2004. The decrease was primarily due to a net loss of $51.2 million during the nine months ended September 30, 2005.

Forward-Looking Statements

Statements included herein, which are not historical facts (including any statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto), are forward-looking statements within the meaning of the federal securities laws. In addition, the Company and its representatives may from time to time make other oral or written statements which are also forward-looking statements. These forward-looking statements are based on the Company s current expectations and projections about future events. Statements that include the words expect, believe, intend, plan, anticipate, project, will, may, could, should, pro form estimates, potential, predicts,

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goal, objective and similar statements of a future nature identify forward-looking statements. These forward-looking statements and forecasts are subject to risks, uncertainties and assumptions. Management cautions that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

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

The Company derived approximately 24% of total revenues from sales in foreign currencies during the nine months ended September 30, 2005. In the Company s financial statements, operating results in local currency are translated into U.S. dollars based on average exchange rates during the period and balance sheet items are translated at rates on the balance sheet date. During periods of a strengthening dollar, the Company s U.S. dollar financial results related to operations conducted in foreign currencies are reduced because the local currency amounts are translated into fewer U.S. dollars. Conversely, as the dollar weakens, the Company s foreign results reported in U.S. dollars will increase accordingly. Based on the Company s revenues in the first nine months of 2005 from its foreign locations that utilize currencies other than the U.S. dollar, a 10% increase in the U.S. dollar value would result in approximately a $14.3 million reduction in net sales. Approximately 2% of total revenues in the first nine months ended September 30, 2005 were derived from sales in Turkey. These sales were made in Turkish lira and the invoiced sale prices are adjusted to account for fluctuations in the exchange rate between the lira and the dollar. The Company is exposed to fluctuations in such exchange rate from the date of the invoice until settlement. The Company may enter into foreign exchange contracts to reduce the effects of fluctuations in foreign currency exchange rates on assets, liabilities, firm commitments and anticipated transactions. However, Constar does not generally hedge its exposure to translation gains or losses on non-U.S. net assets because it reinvests the cash flows within the operations where they are generated. At September 30, 2005, the Company had no foreign currency derivative contracts outstanding.

Under the procedures and controls of the Company s risk management, the Company entered into an agreement during May 2005 to manage the floating interest rate on a portion of the Company s Senior Notes and New Revolver Loan. The interest rate swap involved the exchange of floating interest payments based on three month LIBOR rate for a fixed rate. The Company uses the interest rate swap to manage and hedge its exposure to variability to interest rate risks. Therefore, the Company has an exposure to interest rate risk on the portion of the Senior Notes and borrowings under the New Revolver Loan that is not part of the cash flow hedge. The extent of the Company s interest rate risk in connection with the New Revolver Loan and the Senior Notes is not quantifiable or predictable because of the variability of future interest rates and borrowing requirements. Based on borrowing levels as of September 30, 2005, a 1% change in LIBOR would have resulted in an increase of $1.2 million in annual interest expense. However, current amounts borrowed under the New Revolver Loan might not be representative of future borrowings which will be based on our future requirements and seasonal needs.

The principal raw materials used in the manufacture of the Company s products are resins that are petrochemical derivatives. The markets for these resins are cyclical, and are characterized by fluctuations in supply, demand and pricing. Substantially all of Constar s sales are made under contracts that allow for the pass through of changes in the price of PET resin, our principal raw material and a major component of cost of goods sold. When the Company adjusts its prices under these agreements to pass through changes in resin prices, its net sales change accordingly but its gross profit in unaffected. In the aggregate, the lag between the effective date of resin price changes and the effective date of price adjustments to its customers under various pass through mechanisms is approximately equal to the Company s inventory exposure.

Item 4. Controls and Procedures

Disclosure Controls and Internal Controls

The Company s disclosure controls and procedures are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports, such as this quarterly report, is recorded,

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processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls are designed with the objective of ensuring that this information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding the required disclosure. Internal controls and procedures for financial reporting are procedures that are designed with the objective of providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and include those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Limitations on the Effectiveness of Controls

Our management, including its principal executive officer and principal financial officer, does not expect that its disclosure controls or internal controls will prevent all errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include realities that judgments in decision making can be faulty and that breakdown can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. Because of inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Evaluation of Disclosure Controls

At the end of the period covered by this quarterly report, Constar carried out an evaluation, under the supervision and with the participation of its principal executive officer and principal financial officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Based on this evaluation, the Company s principal executive officer and principal financial officer concluded that its disclosure controls and procedures are effective, and provide reasonable assurance that the material information required to be included in the Company s periodic SEC reports (i) is communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure and (ii) is recorded, processed, summarized and reported within the time periods specified in the relevant SEC rules and forms. In addition, there have been no significant changes in the Company s internal controls over financial reporting during the quarter covered by this report that have come to management s attention that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II Other Information

Item 1. Legal Proceedings

Information regarding legal proceedings involving the Company appears in Part I within Item 1 of this quarterly report under Note 12 to the Condensed Consolidated Financial Statements, which information is incorporated herein by reference.

Item 5. Other Information

During the third quarter, the Company s operation located in the United Kingdom reported financial results below expectations. These results were due to a sales volume shortfall and excess costs incurred to service these reduced volumes. The Company s operations located in Holland also reported financial results below expectations and a reduction from the previous quarter s results. These shortfalls are more directly related to competitive activities and weak customer demand. While the Company implemented key initiatives during the second quarter to improve these operating results, neither of these facilities has been able to achieve its forecasted operating targets. As a result of the shortfall in performance and results below revised expectations, the Company performed an interim impairment test as of September 30, 2005. In accordance with SFAS No. 144 Accounting for the Impairment or Disposal of Long-lived Assets , the impairment test was based on the undiscounted cashflows from the asset base as compared to the carrying value of those assets. Based on these reduced earnings expectations, the undiscounted cashflows of both the UK and Holland operations were insufficient to recover the carrying value of these assets over the remaining useful lives. The Company then calculated the fair value of the assets of both operations based on discounted projected net cashflows and recorded a fixed asset impairment loss of $22.2 million for these operations to write the asset carrying values down to fair value. The total loss of $22.2 million is based on a write down of $16.5 million for the UK operation and $5.7 million for the Holland facility. The Company will continue to monitor closely these operations and the different risks that may impact future carrying value of these assets

Item 6. Exhibits

31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
32.2	Certification of Executive Vice President and Chief Financial Officer Pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

	Constar International Inc.
Dated: November 9, 2005	By: /s/ William S. Rymer
	William S. Rymer
	Executive Vice President and Chief Financial Officer
	(duly authorized officer and principal accounting officer)

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