# Texas Petrochemicals Reports Strong Fiscal 2006 Fourth Quarter Results

HOUSTON, Aug. 28 /PRNewswire-FirstCall/ -- Texas Petrochemicals, Inc., (**TXPI** - **news**) (**TXPI** - **news**) ("TPI") today reported net income of $14.7 million, or $0.81 per diluted share, for the fourth quarter of fiscal year 2006. This compares to net income of $13.4 million, or $0.74 per diluted share, in the fourth quarter of fiscal 2005. The Company's full year results for its fiscal year ending June 30, 2006 were net income of $38.5 million, or fully diluted earnings per share of $2.18. This compares to net income for the 2005 fiscal year of $22.6 million, or fully diluted earnings per share of $1.31.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the fourth fiscal quarter and full 2006 fiscal year amounted to $22.3 million and $108.9 million compared to $24.7 million and $57.9 million for the corresponding quarter and full fiscal year 2005, respectively. The fiscal 2006 results include three days of operations associated with the acquisition of the Port Neches C-4 Plant from Huntsman, which took place on June 27, 2006.

"We are very pleased with our fourth quarter and year end results. The outstanding performance of our core operations, comprised of our C4 processing and isobutylene businesses, exceeded the Company's expectations," said Charlie Shaver, CEO of TPI. "We are excited to have also completed the purchase of Huntsman's C4 business. This acquisition, which includes the Port Neches facility and the knowledge base of employees we subsequently hired, serve as a cornerstone to our stated business strategy. The acquisition further strengthens our commitment to the C4 business and to our key customers and suppliers."

Fiscal Year-end and Fourth Quarter 2006 Highlights:

-- Revenue for the year was up over 32 percent or $301.4 million, increasing from $936.3 million in fiscal 2005 to $1,237.7 million in fiscal 2006. Fourth quarter revenues were $319.2 million compared to revenues of $300.8 million for the comparable prior year period, an increase of $18.4 million, or 6%.

-- Net income for the year increased to $38.5 million, up approximately 70 percent from the net income of $22.6 million recorded in fiscal 2005. Net income for the fourth quarter was $14.7 million compared to net income of $13.4 million in the comparable prior year period.

-- Adjusted EBITDA* for the 2006 fiscal year was up $51.0 million, an increase of approximately 88 percent, to $108.9 million compared to $57.9 million for fiscal year 2005. For the quarter adjusted EBITDA* was $22.3 million compared to $24.7 million in the comparable prior year period.

-- On June 27, 2006, the Company finalized the purchase of the Huntsman's U.S. butadiene business, which included the acquisition of the Port Neches C-4 Plant and its associated operations.

-- The company entered into two new loan agreements during the fiscal fourth quarter - a $280 million, seven-year term loan that was partially drawn to finance the acquired business and a $115 million, five year, revolving credit facility that remained unutilized during the quarter.

-- Positive cash flow from operations financed a $46 million capital expenditure program and the $14 million funding to convert the $60 million of 7 1/4 percent Senior Secured Convertible Notes to Common Equity.

-- For the 2006 fiscal year, EBITDA from the Company's core operations

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amounted to $62.1 million compared to $44.9 million in the comparable
prior year period, an increase of $17.2 million, or 38 percent.  Core
EBITDA for the fourth quarter for the 2006 fiscal year amounted to
$20.3 million compared to $13.7 million for the fourth quarter 2005,
up $6.6 million, or approximately 48 percent.
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* A reconciliation of EBITDA (Earnings before interest, taxes, depreciation and amortization) and adjusted EBITDA (EBITDA adjusted for non- recurring and non-cash items) to reported earnings can be found at the end of this press release.

Results of Operations

4Q06 vs. 4Q05 - The Company generated revenues of $319.2 million for the three months ended June 30, 2006, as compared to revenues of $300.8 million for the prior year quarter, an increase of $18.4 million, or 6 percent. Revenues for the core business increased by $67.8 million, or 34%, compared to the prior year quarter. The revenue increase is a result of higher per unit sales prices, reflecting the year-over-year increase in feedstock and raw material costs. Sales volumes for the core business increased 11 percent over the previous year quarter, driven by higher extraction rates.

4Q06 vs. 4Q05 - Adjusted EBITDA was $22.3 million in the fourth fiscal quarter of 2006 compared to $24.7 million in the prior year quarter. Adjusted EBITDA for the fiscal quarter from the Company's core operations was $20.3 million compared to $13.7 million in the prior year, an increase of $6.6 million. The increase was attributable to increased volumes and margins in both the C4 processing and the isobutylene businesses. Net income was $14.7 million for the three months ended June 30, 2006 compared to $13.4 million for the prior year quarter, an increase of $1.3 million.

4Q06 v. 4Q05 - Revenue and adjusted EBITDA generated from MTBE sales was $49.5 million and $2.0 million for the three months ended June 2006 and $98.9 million and $11.0 million for the three months ended June 2005. A reduction in the domestic demand for MTBE has reduced its profitability.

4Q06 v. 3Q06 - Adjusted EBITDA was $22.3 million in the fourth fiscal quarter of 2006 compared to $13.5 million in the third fiscal quarter of 2006. The 2006 fourth quarter adjusted EBITDA includes approximately $500,000 from the acquisition of the Port Neches C-4 Plant in late June 2006.

Liquidity and Capital Resources

At June 30, 2006, the Company had $20.3 million of cash and no outstanding borrowings on its new $115 million Revolver Credit Facility. Positive cash flow generated from operations during the fiscal year has sufficiently funded the cash requirement to convert the Senior Secured Convertible Notes to shares of the Company's common stock and capital spending. The Company's capital spending program increased during the quarter to $12.7 million compared to $1.6 million in the prior year quarter. The increase was primarily related to capital investments being made for operational efficiencies in the plant and on environmental initiatives.

Conference Call

The Company has scheduled a conference call for 3:00 p.m. Eastern Time (2:00 p.m. Central) on Tuesday, August 29, 2006. To listen to the call, dial (303) 262-2130 at least 10 minutes prior to the start time and ask for the Texas Petrochemical call, or access it live over the Internet by logging on to the Company's website at http://www.txpetrochem.com . For those unable to listen to the live call, a replay will be available through September 5, 2006 by calling (303) 590-3000 using pass code 11068574. Also, an archive of the webcast will be available shortly after the call on the Company's website for approximately 90 days.

Headquartered in Houston, TX, Texas Petrochemicals Inc, is a premier chemical company with more than $1.5 billion in annual sales. The Company provides quality C4 chemical products and services to both local and global industry companies. The Company has manufacturing facilities in the industrial corridor adjacent to the Houston Ship Channel, Baytown and Port Neches, Texas and operates a product terminal Lake Charles, Louisiana. For more information, visit the Company's Web site at http://www.txpetrochem.com .

Cautionary Information Regarding Forward-Looking Statements

Certain oral and written information that the Company may make publicly available from time to time may constitute forward-looking statements. Such statements may relate to future operating results, existing and expected competition, financing and refinancing sources and availability, and plans related to acquisitions or other future expansion activities and capital expenditures. Forward-looking statements involve a number of risks and uncertainties that may significantly affect the Company's liquidity and results in the future and, accordingly, actual results may differ materially from those expressed in any forward-looking statements. Such risks and uncertainties include, but are not limited to, those related to effects of competition, leverage and debt service, financing and refinancing efforts, litigation and governmental investigations, environmental laws and regulations, general economic conditions and changes in laws or regulations.

- tables to follow -

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in millions, except per share data)
(unaudited)

| | Three Months Ended June 30, | | Twelve Months Ended June 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Revenues | $319.2 | $300.8 | $1,237.7 | $936.3 |
| Cost of goods sold | 269.9 | 255.9 | 1,040.0 | 804.5 |
| Gross profit | 49.3 | 44.9 | 197.7 | 131.8 |
| Operating costs | 18.2 | 14.1 | 70.6 | 59.6 |
| SG&A expense | 16.9 | 8.4 | 29.8 | 17.0 |
| Depreciation and amortization | 3.7 | 3.5 | 14.2 | 13.6 |
| Operating costs | 38.8 | 26.0 | 114.6 | 90.2 |
| Operating income | 10.5 | 18.9 | 83.1 | 41.7 |
| Other income (expense) | 0.8 | 4.3 | (18.5)* | 4.0 |
| Interest expense | 0.7 | 1.4 | 3.6 | 5.6 |
| Income before reorganization items and income tax provision (benefit) | 10.6 | 21.8 | 61.0 | 40.1 |
| Reorganization costs | --- | 0.2 | 1.9 | 2.1 |
| Income before income tax provision (benefit) | 10.6 | 21.6 | 59.1 | 38.0 |
| Income tax provision (benefit) | (4.1) | 8.2 | 20.6 | 15.4 |
| Net income | $14.7 | $13.4 | $38.5 | $22.6 |
| Earnings per share, basic $0.87 | $ 1.34 | $2.85 | $2.26 | |
| Earnings per share, fully diluted | $0.81 | $0.74 | $2.18 | $1.31 |
| Weighted average shares, basic (in millions) | 16.9 | 10.0 | 13.5 | 10.0 |
| Weighted average shares, fully diluted (in millions) | 18.2 | 18.1 | 17.7 | 17.2 |

* Included in this amount is a $20.9 million debt conversion fee associated with the conversion of $60 million 7 1/4 percent Senior Secured Convertible Notes to shares of the Company's common stock. $7.0 million of this debt conversion fee was a

non-cash transaction.

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(Dollars in millions)
(unaudited)

This earnings release contains non-GAAP financial measures. For purposes of Regulation G, a non-GAAP financial measure is a numerical measure of a company's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet, or statement of cash flows (or equivalent statements) of the company; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this regard GAAP refers to generally accepted accounting principles in the United States. Pursuant to the requirements of Regulation G, TPI has provided a reconciliation of the non-GAAP financial measure (EBITDA) to the most directly comparable GAAP financial measure (net income/loss).

| | Three Months Ended | | | Twelve Months Ended | |
|---|---|---|---|---|---|
| | March 31, | June 30, | | June 30, | |
| | 2006 | 2006 | 2005 | 2006 | 2005 |
| Net income | $ 4.5 | $ 14.7 | $ 13.4 | $ 38.5 | $ 22.6 |
| Plus: | | | | | |
| Provisions (benefit) for income taxes | 2.9 | (4.1) | 8.2 | 20.6 | 15.4 |
| Interest expense | 0.2 | 0.7 | 1.4 | 3.6 | 5.6 |
| Depreciation and amortization | 3.6 | 3.7 | 3.5 | 14.2 | 13.6 |
| Gain on sale of intangible | --- | --- | (3.9) | --- | (3.9) |
| Impairment of intangible | --- | --- | 0.4 | --- | 0.4 |
| Reorganization costs | 1.8 | --- | 0.2 | 1.9 | 2.1 |
| EBITDA | $ 13.0 | $ 15.0 | $ 23.2 | $ 78.8 | $ 55.8 |
| Debt conversion fee | --- | (0.2) | --- | 20.9 | --- |
| Non-cash stock compensation expense | 0.5 | 7.5 | 1.5 | 9.2 | 2.1 |
| Adjusted EBITDA | $ 13.5 | $ 22.3 | $ 24.7 | $108.9 | $ 57.9 |

EBITDA information is presented in the earnings release because management believes it enhances investors and lenders understanding of the Company's financial performance.

## Condensed Consolidated Balance Sheets
(Dollars in millions)
(unaudited)

| | June 30, 2006 | June 30, 2005 |
|---|---|---|
| Current Assets: | | |
| Cash and cash equivalents | $20.3 | $15.9 |
| Accounts receivable | 176.5 | 77.5 |
| Inventories | 72.5 | 40.4 |
| Other current assets | 23.6 | 11.0 |
| Total current assets | 292.9 | 144.8 |
| Property, Plant & Equipment, net | 420.1 | 151.9 |
| Other Long-Term Assets | 18.5 | 7.1 |
| Total Assets | $731.5 | $303.8 |
| Current Liabilities (excluding note payable): | | |

| | | |
|---|---|---|
| Accounts payable | $169.1 | $67.8 |
| Accrued expenses | 81.0 | 15.7 |
| Other current liabilities | 5.9 | --- |
| Total current liabilities | 256.0 | 83.5 |
| Outstanding Debt: | | |
| Revolving Line of Credit | 207.9 | --- |
| 7.25% Senior Secured Convertible Notes | --- | 60.0 |
| Total Debt | 207.9 | 60.0 |
| Deferred Income Tax Liability | 35.6 | 43.3 |
| Shareholders' Equity | 232.0 | 117.0 |
| Total Liabilities and Shareholders' Equity | $731.5 | $303.8 |

Condensed Consolidated Statements of Cash Flows
(Dollars in Millions)
(unaudited)

| | Three Months Ended June 30, | | Twelve Months Ended June 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Net Cash Provided by Operating Activities | $97.8 | $34.7 | $140.1 | $41.4 |
| Cash Flows Used in Investing Activities | (252.9) | (5.0) | (282.5) | (5.7) |
| Net Cash Provided (Used) in Financing Activities | 157.9 | (14.0) | 146.8 | (20.2) |
| Net Increase in Cash and Cash Equivalents | $2.8 | $15.7 | $4.4 | $15.5 |

Core vs. Non-Core Adjusted EBITDA
(Dollars in Millions)
(unaudited)

| | Three Months Ended | | | Twelve Months Ended | |
|---|---|---|---|---|---|
| | March 31, | June 30, | | June 30, | |
| | 2006 | 2006 | 2005 | 2006 | 2005 |
| Core Business | $ 15.6 | $ 20.3 | $ 13.7 | $ 62.1 | $ 44.9 |
| Non-Core Business | (2.1) | 2.0 | 11.0 | 46.8 | 13.0 |
| Total | $ 13.5 | $ 22.3 | $ 24.7 | $108.9 | $ 57.9 |

Contact: Ruth Dreessen
Phone: 713-627-7474

Contact: Robert Whitlow
Phone: 713-627-7474

Contact: Sara Cronin
Phone: 713-475-7778

CONTACT: Ruth Dreessen, +1-713-627-7474, or Robert Whitlow, +1-713-627-7474, or Sara Cronin, +1-713-475-7778, all of Texas Petrochemicals, Inc.

Web site: http://www.txpetrochem.com/