

EASTMAN CHEMICAL CO

Form 10-Q

October 31, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark
One)

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from _____ to _____

Commission file number 1-12626

EASTMAN CHEMICAL COMPANY
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

62-1539359
(I.R.S. employer
identification no.)

200 South Wilcox Drive
Kingsport, Tennessee
(Address of principal executive offices)

37660
(Zip Code)

Registrant's telephone number, including area code: (423) 229-2000

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 NO

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

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Number of Shares Outstanding at September 30, 2007
Common Stock, par value \$0.01 per share	81,027,677

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**UNAUDITED CONSOLIDATED STATEMENTS OF EARNINGS,
COMPREHENSIVE INCOME AND RETAINED EARNINGS**

(Dollars in millions, except per share amounts)	Third Quarter		First Nine Months	
	2007	2006	2007	2006
Sales	\$ 1,813	\$ 1,966	\$ 5,503	\$ 5,698
Cost of sales	1,503	1,650	4,580	4,701
Gross profit	310	316	923	997
Selling, general and administrative expenses	107	105	321	316
Research and development expenses	43	40	116	126
Asset impairments and restructuring charges, net	120	13	143	23
Operating earnings	40	158	343	532
Interest expense, net	17	21	50	62
Other (income) charges, net	(9)	1	(15)	(2)
Earnings before income taxes	32	136	308	472
Provision for income taxes	12	41	106	158
Net earnings	\$ 20	\$ 95	\$ 202	\$ 314
Earnings per share				
Basic	\$ 0.24	\$ 1.16	\$ 2.41	\$ 3.84
Diluted	\$ 0.24	\$ 1.15	\$ 2.38	\$ 3.79
Comprehensive Income				
Net earnings	\$ 20	\$ 95	\$ 202	\$ 314
Other comprehensive income (loss)				
Change in cumulative translation adjustment	21	(8)	31	32
Change in pension and other post employment benefits due to amortization, net of tax	22	--	18	--
Change in unrealized gains (losses) on investments, net of tax	--	--	1	(1)
Change in unrealized gains (losses) on derivative instruments, net of tax	(8)	(6)	(5)	5
Total other comprehensive income (loss)	35	(14)	45	36
Comprehensive income	\$ 55	\$ 81	\$ 247	\$ 350
Retained Earnings				
Retained earnings at beginning of period	\$ 2,302	\$ 2,070	\$ 2,186	\$ 1,923
Net earnings	20	95	202	314
Adoption of accounting standards	--	--	8	--
Cash dividends declared	(36)	(36)	(110)	(108)
Retained earnings at end of period	\$ 2,286	\$ 2,129	\$ 2,286	\$ 2,129

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Dollars in millions, except per share amounts)	September 30, 2007 (Unaudited)	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 781	\$ 939
Trade receivables, net of allowance of \$6 and \$16	596	682
Miscellaneous receivables	69	72
Inventories	646	682
Other current assets	75	47
Current assets held for sale	130	--