

EASTMAN CHEMICAL CO

Form 424B2

November 10, 2003

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Prospectus Supplement

Registration No. 333-62597

Eastman Chemical Company*\$250,000,000**6.30% Notes due 2018**Interest payable May 15 and November 15***Issue price: 99.234%**

The notes will mature on November 15, 2018. Interest will accrue from November 12, 2003. We may redeem the notes in whole or in part at any time at the redemption price described on page S-7.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	Price to Public	Underwriting Discounts	Proceeds to Us
Per Note	99.234%	.750%	98.484%
Total	\$248,085,000	\$1,875,000	\$246,210,000

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

We expect to deliver the notes to investors through the book-entry delivery system of The Depository Trust Company on or about November 12, 2003.

Joint Book-Running Managers

Citigroup**Deutsche Bank Securities****JPMorgan****Banc One Capital Markets, Inc.****Wachovia Securities****Stifel, Nicolaus & Company**

Incorporated

SunTrust Robinson Humphrey**BNY Capital Markets, Inc.**

Mellon Financial Markets, LLC

November 6, 2003

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No person is authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement or the accompanying prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities described in this prospectus supplement or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus supplement or the accompanying prospectus, nor any sale made hereunder and thereunder, shall under any circumstances create any implication that there has been no change in the affairs of Eastman Chemical Company since the date of this prospectus supplement or the accompanying prospectus, or that the information contained or incorporated by reference herein or therein is correct as of any time subsequent to the date of such information.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement contains the terms of this offering of notes. This prospectus supplement, or the information incorporated by reference in this prospectus supplement, may add, update or change information in the accompanying prospectus. If information in this prospectus supplement, or the information incorporated by reference in this prospectus supplement or the accompanying prospectus, is inconsistent with the accompanying prospectus, this prospectus supplement, or the information incorporated by reference in this prospectus supplement or the accompanying prospectus, will apply and will supersede that information in the accompanying prospectus. Capitalized terms used in this prospectus supplement but not defined herein have the meanings ascribed to them in the accompanying prospectus.

It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents we have referred you to under **Where You Can Find Additional Information** in this prospectus supplement.

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EASTMAN CHEMICAL COMPANY

Eastman Chemical Company, a global chemical company engaged in the manufacture and sale of a broad portfolio of chemicals, plastics and fibers, began business in 1920 for the purpose of producing chemicals for Eastman Kodak Company's photographic business. We were incorporated in Delaware in 1993 and became an independent entity as of December 31, 1993, when Eastman Kodak spun off its chemicals business. Our headquarters and largest manufacturing site are located in Kingsport, Tennessee.

We are the largest producer of polyethylene terephthalate, or PET, polymers for packaging based on capacity share and are a leading supplier of raw materials for paints and coatings, inks and graphic arts, adhesives, textile sizes, and other formulated products, and of cellulose acetate fibers. We have 41 manufacturing sites in 17 countries that supply major chemicals, fibers and plastics products to customers throughout the world.

Our products and operations are managed and reported in six operating segments. Eastman Division contains the Coatings, Adhesives, Specialty Polymers and Inks, or CASPI, segment; the Performance Chemicals and Intermediates, or PCI, segment; and the Specialty Plastics, or SP, segment. Voridian Division contains the Polymers segment and the Fibers segment. Developing Businesses Division, created effective January 1, 2003, contains the Developing Businesses segment, which includes new businesses and certain investments in non-traditional growth opportunities that leverage our technology expertise, intellectual property and know-how into business models that extend to new customers and markets.

In 2002, Eastman Division accounted for 60% of total revenues and Voridian Division accounted for 40% of total revenues. Within Eastman Division, total revenues, including inter-divisional revenues, were attributable 43% to the CASPI segment, 41% to the PCI segment and 16% to the SP segment. Within Voridian Division, total revenues, including inter-divisional revenues, were attributable 69% to the Polymers segment and 31% to the Fibers segment. Effective January 1, 2003, sales and operating results for developing businesses activities were moved from the CASPI, PCI and SP segments to the newly created Developing Businesses segment. In the first six months of 2003, Eastman Division accounted for 59% of total revenues, Voridian Division accounted for 40% of total revenues and Developing Businesses Division accounted for 1% of total revenues. Within Eastman Division, total revenues, including inter-divisional revenues, were attributable 41% to the CASPI segment, 44% to the PCI segment and 15% to the SP segment. Within Voridian Division, total revenues, including inter-divisional revenues, were attributable 72% to the Polymers segment and 28% to the Fibers segment.

Recent Developments

Third Quarter Financial Results

On October 23, 2003, we announced our results for the third quarter ended September 30, 2003. We had sales revenue during that quarter of \$1.4 billion, a 5% increase over sales revenue in the comparable quarter in 2002. The increased revenue was primarily the result of higher selling prices and favorable foreign currency exchange rates, particularly for the euro. Operating results for the third quarter 2003, which include pretax asset impairments and restructuring charges of \$496 million discussed more fully below, were a loss of \$440 million, compared with operating earnings of \$61 million for the third quarter 2002. Excluding the charges in the third quarter 2003, operating results for the third quarter 2003 were lower than the year-ago period primarily due to higher raw material and energy costs, partially offset by higher selling prices and the continuing impact of 2003 cost reduction measures. We announced a loss of \$4.35 per diluted share for the third quarter 2003, which included the impairments and restructuring charges noted above.

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We generated \$141 million in cash from operating activities during the third quarter 2003, compared to \$208 million in cash from operating activities during the third quarter 2002. We contributed \$98 million to our U.S. defined benefit pension plans in the third quarter 2003 and contributed \$238 million to our U.S. defined benefit pension plans during the first nine months of 2003, thus completing our expected funding of these pension plans for 2003.

Third Quarter Asset Impairments and Restructuring Charges

During the third quarter 2003, we recognized pretax asset impairments and restructuring charges of \$496 million. Of the pretax asset impairments and restructuring charges recognized in the third quarter 2003, \$14 million of these are cash charges related to probable involuntary separation costs resulting from work force reductions. The remainder of the charges consist of non-cash impairments of \$482 million as follows:

\$194 million related to certain fixed assets included in the CASPI segment;

\$175 million related to intangible assets other than goodwill included in the CASPI segment;

\$79 million related to certain fixed assets included in the PCI segment; and

\$34 million related to goodwill included in the CASPI segment.

The CASPI segment's asset impairments and restructuring charges were triggered by the previously announced third quarter reorganization within the CASPI segment structure and changes in business strategy in response to the financial performance of certain underlying businesses and product lines. Accordingly, the carrying value of fixed assets, goodwill and intangible assets was written down to fair value. The ongoing reorganization and change in strategy in this segment may include restructurings, divestitures or consolidations, or a combination of any of the foregoing.

The PCI segment's charges relate to the impairment of fixed assets used in certain commodity and specialty organic chemicals product lines as a result of increased competition and changes in business strategy in response to a change in market conditions and the financial performance of these underlying product lines. Accordingly, the carrying value of fixed assets was written down to fair value.

The impairments and restructuring charges include estimates that are based on the best information currently available. Adjustments to such estimates, if any, would be reflected in the financial statements included in future filings with the SEC.

Executive Appointments

On October 29, 2003 we announced two executive appointments, both of which will be effective November 15, 2003. Richard A. Lorraine was named senior vice president and chief financial officer. He will succeed James P. Rogers, who was named executive vice president and president of the Eastman Division. Mr. Lorraine was most recently executive vice president and chief financial officer for Occidental Chemical Corporation in Dallas, Texas. Mr. Rogers has served as our chief financial officer since joining Eastman in 1999 and has served as chief operations officer of the Eastman Division since 2002.

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We intend to use the net proceeds from the sale of the notes, which we estimate to be \$246 million, after deducting underwriting discounts and our estimated expenses of the offering, along with cash generated from business activities and short-term borrowings, for the repayment of our outstanding \$500 million 6 3/8% notes due on January 15, 2004. Pending this use, we intend to use the proceeds to reduce some of our short-term borrowings, such as our commercial paper borrowings, and to reduce amounts subject to our accounts receivable securitization program with Bank One, NA. In addition, we may invest a portion of the proceeds in interest bearing accounts or other financial instruments. Our commercial paper borrowings, which we typically utilize to meet our liquidity needs, generally have maturities of 90 days or less. As of June 30, 2003, our commercial paper borrowings totaled \$107 million at an effective interest rate of 1.24%. At June 30, 2003, receivables sold under our accounts receivable securitization program totaled \$200 million, and fees paid by us, which are based on certain variable rate market indices, totaled approximately \$2 million in the first six months of 2003.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth the computation of our consolidated ratios of earnings to fixed charges for the periods shown:

(Dollars in millions)	Six Months Ended June 30,	Year Ended December 31,				
	2003	2002	2001	2000	1999	1998
Earnings (loss) before income taxes and cumulative effect of change in accounting principle	\$ 78	\$ 84	\$ (291)	\$ 452	\$ 72	\$ 360
Add:						
Interest expense	65	128	146	142	126	96
Appropriate portion of rental expense(A)	13	28	28	28	28	28
Amortization of capitalized interest	6	13	15	15	16	16
Earnings (loss) as adjusted	\$162	\$ 253	\$ (102)	\$ 637	\$ 242	\$ 500
Fixed charges:						
Interest expense	\$ 65	\$ 128	\$ 146	\$ 142	\$ 126	\$ 96
Appropriate portion of rental expense(A)	13	28	28	28	28	28
Capitalized interest	2	4	5	6	13	31
Total fixed charges	\$ 80	\$ 160	\$ 179	\$ 176	\$ 167	\$ 155
Ratio of earnings (loss) to fixed charges	2.0x	1.6x	(B)	3.6x	1.5x	3.2x

(A) For all periods presented, the interest component of rental expense is estimated to equal one-third of such expense.

(B) Due to the net loss reported for 2001, the coverage ratio was less than 1.0x. To achieve a coverage ratio of 1.0x, additional pre-tax earnings of \$281 million would have been required for 2001.

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DESCRIPTION OF THE NOTES

General

The notes will be issued under an indenture dated as of January 10, 1994 between us and The Bank of New York, as trustee. The following description of the particular terms of the notes supplements, and to the extent inconsistent therewith, replaces, the description of the general terms and provisions of the Debt Securities set forth in the accompanying prospectus, to which reference is made.

The notes:

will be our unsecured, unsubordinated general obligations,

will rank pari passu with our other unsecured and unsubordinated indebtedness,

will initially be limited to \$250 million principal amount,

will be issued in book-entry form only, in denominations of \$1,000 and integral multiples thereof,

will mature on November 15, 2018,

will bear interest from November 12, 2003 at the rate of 6.30% per annum, and

will bear interest payable semi-annually on May 15 and November 15, commencing May 15, 2004, to the persons in whose names the notes are registered at the close of business on the preceding May 1 and November 1, respectively. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Issuance of Additional Notes

We may, without the consent of the holders of notes, increase the principal amount of the notes by issuing additional notes in the future on the same terms and conditions, except for any differences in the issue price and interest accrued prior to the issue date of the additional notes, and with the same CUSIP number as the notes offered hereby. The notes offered by this prospectus supplement and any additional notes would rank equally and ratably and would be treated as a single class for all purposes under the indenture. No additional notes may be issued if any event of default has occurred with respect to the notes.

Optional Redemption

We may redeem the notes, in whole or in part, at our option, at any time at a redemption price equal to the greater of:

100% of the principal amount of the notes to be redeemed or

as determined by a Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined below) plus 30 basis points

plus, in each case, accrued and unpaid interest on the notes to the redemption date.

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Adjusted Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Comparable Treasury Issue means the United States Treasury security selected by a Quotation Agent as having a maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

Quotation Agent means the Reference Treasury Dealer appointed by the trustee after consultation with us.

Reference Treasury Dealer means (1) Citigroup Global Markets Inc., J.P. Morgan Securities Inc. or Deutsche Bank Securities Inc. and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a **Primary Treasury Dealer**), we shall substitute therefor another Primary Treasury Dealer; and (2) any other Primary Treasury Dealers selected by the trustee after consultation with us.

Comparable Treasury Price means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (2) if the trustee obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such quotations.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

We will give notice to The Depository Trust Company, or DTC, of any redemption we propose to make at least 30 days, but not more than 60 days, before the redemption date. If we redeem only some of the notes, it is the practice of DTC to determine by lot the amount of notes to be redeemed of each of its participating institutions. Notice by DTC to these participants and by participants to street name holders of indirect interests in the notes will be made according to arrangements among them and may be subject to statutory or regulatory requirements.

Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or portions of the notes called for redemption.

Sinking Fund

The notes will not be entitled to any sinking fund.

Defeasance

The notes are subject to defeasance under the conditions described in the accompanying prospectus under **Description of Debt Securities Defeasance and Covenant Defeasance**.

Book-Entry System

We will initially issue the notes in the form of one or more global securities in book-entry form. The notes will be deposited with, or on behalf of, DTC located in the Borough of Manhattan, The

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City of New York, and will be registered in the name of Cede & Co., which is DTC's nominee. One or more fully-registered global securities will be issued for these notes representing the aggregate principal amount of the notes and will be deposited with or on behalf of DTC.

We understand that DTC is:

- a limited-purpose trust company organized under the New York Banking Law,
- a banking organization within the meaning of the New York Banking Law,
- a member of the Federal Reserve System,
- a clearing corporation within the meaning of the New York Uniform Commercial Code, and
- a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended.

DTC holds securities that its participants deposit with it. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer or pledge beneficial interests in the global securities. Direct participants include securities brokers and dealers (which may include the underwriters), banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange, LLC and the National Association of Securities Dealers, Inc. Access to DTC's system is also available to others, known as indirect participants, such as securities brokers and dealers (which may include the underwriters), banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

So long as DTC, or its nominee, is the registered holder and owner of such global securities, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global securities for the purposes of receiving payment on the notes, receiving notices and for all other purposes under the indenture and the notes. Except as described in the accompanying prospectus, owners of beneficial interests in the global securities will not be entitled to receive physical delivery of notes in definitive form and will not be considered the holders thereof for any purpose under the indenture. Accordingly, each person owning a beneficial interest in the global securities must rely on the procedures of DTC and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the indenture.

The indenture provides that DTC may grant proxies and otherwise authorize participants to give or take any request, demand, authorization, direction, notice, consent, waiver or other action which a holder is entitled to give or take under the indenture. We understand that under existing industry practices, in the event that we request any action of holders or that an owner of a beneficial interest in such global securities desires to give or take any action which a holder is entitled to give or take under the indenture, DTC would authorize the participants holding the relevant beneficial interest to give or take such action, and such participants would authorize beneficial owners owning through such participants to give or take such action or would otherwise act upon the instructions of beneficial owners through them.

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We expect that pursuant to procedures established by DTC, upon the issuance of the global securities, DTC or its nominee will credit, on its book-entry registration and transfer system, the principal amount of notes represented by such global securities to the accounts of participants. The ownership interests of each actual purchaser, commonly known as the beneficial owner, in the global securities is in turn to be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. DTC has no knowledge of the actual beneficial owners of the securities issued in the form of global securities. DTC's records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

We will make payments of principal, premium, if any, and interest on the notes represented by the global securities registered in the name of and held by DTC or its nominee to DTC or its nominee, as the case may be, as the registered owner and holder of the global securities.

We expect that DTC or its nominee, upon receipt of any payment of principal, premium, if any, or interest on the global securities will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global securities as shown on the records of DTC. We also expect that payments by direct or indirect participants to owners of beneficial interests in the global securities held through such direct or indirect participants will be governed by standing instructions and customary practices, as is now the case with securities held for customer accounts registered in street name, and will be the sole responsibility of such participants. Neither we nor the trustee, nor any of our agents or the trustee, will have any responsibility or liability for any aspect of DTC's records relating to, or payments made on account of, beneficial ownership interests in the global securities representing any notes or for maintaining, supervising or reviewing any of DTC's records relating to such beneficial ownership interests.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

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Subject to the terms and conditions set forth in the underwriting agreement dated November 6, 2003, each of the underwriters has severally agreed to purchase, and we have agreed to sell to each underwriter, the principal amount of notes set forth opposite the name of each underwriter:

Underwriters	Principal Amount of Notes
Citigroup Global Markets Inc.	\$ 62,500,000
J.P. Morgan Securities Inc.	62,500,000
Deutsche Bank Securities Inc.	50,000,000
Banc One Capital Markets, Inc.	20,000,000
Wachovia Capital Markets, LLC	20,000,000
Stifel, Nicolaus & Company, Incorporated	12,500,000
SunTrust Capital Markets, Inc.	12,500,000
BNY Capital Markets, Inc.	5,000,000
Mellon Financial Markets, LLC	5,000,000
Total	\$250,000,000

Under the terms and conditions of the underwriting agreement, if the underwriters take any of the notes, then they are obligated to take and pay for all of the notes.

The notes are a new issue of securities with no established trading market and will not be listed on any national securities exchange. The underwriters have advised us that they intend to make a market for the notes, but they have no obligation to do so and may discontinue market making at any time without providing any notice. No assurance can be given as to the liquidity of any trading market for the notes.

The underwriters initially propose to offer part of the notes directly to the public at the offering price described on the cover page of this prospectus supplement and part to certain dealers at a price that represents a concession not in excess of .450% of the principal amount of the notes. The underwriters may allow, and any such dealer may reallow, a concession not in excess of .250% of the principal amount of the notes to certain other dealers. After the initial offering of the notes, the underwriters may from time to time vary the offering price and other selling terms.

We have also agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments which the underwriters may be required to make in respect of any such liabilities.

In connection with the offering of the notes, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the underwriters may overallocate in connection with the offering of the notes, creating a short position. In addition, the underwriters may bid for, and purchase, notes in the open market to cover short positions or to stabilize the price of the notes. Any of these activities may stabilize or maintain the market price of the notes above independent market levels. The underwriters are not required to engage in any of these activities, and may end any of them at any time.

Our expenses associated with this offering, to be paid by us, are estimated to be \$200,000.

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J.P. Morgan Securities Inc., or JPMorgan, and Deutsche Bank Securities Inc., or Deutsche Bank, will make the notes available for distribution on the Internet through a proprietary web site and/or a third-party system operated by Market Axess Inc., an Internet-based communications technology provider. Market Axess Inc. is providing the system as a conduit for communications between JPMorgan and Deutsche Bank and their respective customers and is not a party to any transactions. Market Axess Inc., a registered broker-dealer, will receive compensation from JPMorgan and Deutsche Bank based on transactions JPMorgan and Deutsche Bank conduct through the system. JPMorgan and Deutsche Bank will make the notes available to their respective customers through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

Stifel, Nicolaus & Company, Incorporated, or Stifel, has entered into an agreement with Mitsubishi Securities (USA), Inc., or Mitsubishi, pursuant to which Mitsubishi provides certain advisory and/or other services to Stifel, including in respect of this offering. In return for the provision of such services by Mitsubishi to Stifel, Stifel will pay to Mitsubishi a mutually agreed upon fee.

In the ordinary course of their respective businesses, certain of the underwriters or their affiliates have engaged, and may in the future engage, in commercial banking and/or investment banking transactions with us and our affiliates. In particular, Citibank, N.A., an affiliate of Citigroup Global Markets Inc., is agent and a lender under our revolving credit facility, and affiliates of each of JPMorgan, Citigroup Global Markets Inc. and Deutsche Bank are lenders under our revolving credit facility. Bank One, NA, an affiliate of Banc One Capital Markets, Inc., may receive more than 10% of the net proceeds of this offering in connection with the reduction of amounts subject to our accounts receivable securitization program, and therefore this offering is being conducted in accordance with Conduct Rule 2710(c)(8) of the National Association of Securities Dealers, Inc. An affiliate of BNY Capital Markets, Inc. is the trustee under the indenture related to the notes offered hereby.

VALIDITY OF THE NOTES

The validity of the notes will be passed upon for us by Theresa K. Lee, our Senior Vice President and Chief Legal Officer, and for the underwriters by Sullivan & Cromwell LLP, New York, New York. As of June 30, 2003, Ms. Lee held 2,111 shares of our common stock, as well as 740 shares allocated to her ESOP account and options to purchase 47,640 additional shares of our common stock under our stock option plans.

EXPERTS

The consolidated financial statements incorporated in this prospectus supplement and the accompanying prospectus by reference to the Annual Report on Form 10-K of Eastman Chemical Company for the year ended December 31, 2002 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC file number is 1-12626. Our SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call

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the SEC at 1-800-SEC-0330 for further information on the public reference room and its copy charges.

You may also inspect the information we file with the SEC at the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

We are incorporating by reference specified documents that we file with the SEC, which means:

incorporated documents are considered part of this prospectus supplement and the accompanying prospectus;

we are disclosing important information to you by referring you to those documents; and

information that we file in the future with the SEC will automatically update and supersede the information in this prospectus supplement and the accompanying prospectus.

We incorporate by reference the documents listed below, and any documents that we file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement until the termination of the offering of all of the securities registered pursuant to the registration statement of which the accompanying prospectus is a part:

our Annual Report on Form 10-K for the year ended December 31, 2002;

our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003; and

our definitive 2003 Proxy Statement on Schedule 14A with respect to the information required by Items 401 (management), 402 (executive compensation), 403 (securities ownership) and 404 (certain relationships and related transactions) of Regulation S-K, as set forth in our Annual Report on Form 10-K for the year ended December 31, 2002.

You may also request a copy of these filings, at no cost, by writing or telephoning our investor relations department at the following address:

Eastman Chemical Company

100 N. Eastman Road
Kingsport, Tennessee 37660
Attention: Investor Relations
Telephone: (423) 229-4647

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\$1,000,000,000

EASTMAN CHEMICAL COMPANY

COMMON STOCK, PREFERRED STOCK AND DEBT SECURITIES

The Company may from time to time offer (i) Common Stock, (ii) Preferred Stock or (iii) Debt Securities consisting of debentures, notes and/or other unsecured evidences of indebtedness in one or more series (collectively, the Securities) at an aggregate initial offering price not to exceed \$1,000,000,000, or its equivalent in such other currency or in composite currencies as may be designated by the Company at the time of offering. The Securities may be offered separately or together, in separate series, in amounts, at prices and on terms to be determined at the time of sale. The accompanying Prospectus Supplement sets forth with regard to the particular Securities with respect to which this Prospectus is being delivered, the terms of the offering thereof, including (i) in the case of Common Stock, the number of shares, (ii) in the case of Preferred Stock, with respect to the relevant class or series, the title, maximum number of shares, rate, if any (which may be fixed or variable), time of payment, and relative priority of any dividends, any terms for redemption at the option of the Company or the holder, any terms for sinking fund payments, any terms for conversion or exchange into other securities, any voting rights, any restrictions on further issuances, and any other terms of the Preferred Stock, and (iii) in the case of Debt Securities, the title, aggregate principal amount, denominations (which may be in United States dollars, in any other currency or in composite currencies), maturity, rate, if any (which may be fixed or variable), and time of payment of any interest, any terms for redemption at the option of the Company or the holder, any terms for sinking fund payments, any listing on a securities exchange and the initial public offering price and any other terms in connection with the offering and sale of such Debt Securities.

The Company may sell Securities to or through underwriters or dealers, and also may sell Securities directly to other purchasers or through agents. The accompanying Prospectus Supplement sets forth the names of any underwriters, dealers or agents employed by the Company in the sale of the Securities in respect of which this Prospectus is being delivered, the principal amounts or number of shares, if any, to be purchased by such underwriters or dealers and the compensation, if any, of such underwriters, dealers or agents. If the Company, directly or through agents, solicits offers to purchase Securities, the Company reserves the sole right to accept and, together with its agents, to reject in whole or in part any proposed purchase of Securities. See Plan of Distribution . Any underwriters, dealers or agents participating in the offering may be deemed underwriters within the meaning of the Securities Act of 1933, as amended (the Securities Act). See Plan of Distribution for possible indemnification arrangements for such underwriters, dealers, agents and their controlling persons.

These Securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

This Prospectus may not be used to consummate the sale of any Securities unless accompanied by a Prospectus Supplement.

The date of this Prospectus is September 25, 1998.

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Certain persons participating in an offering of securities may engage in transactions that stabilize, maintain or otherwise affect the price of the securities, including over-allotment, stabilizing and short-covering transactions in such securities, and the imposition of a penalty bid, in connection with such offering. For a description of these activities, see Plan of Distribution .

AVAILABLE INFORMATION

Eastman Chemical Company (the Company) has filed with the Securities and Exchange Commission (the Commission) a registration statement on Form S-3 (together with all amendments and exhibits thereto, the Registration Statement) under the Securities Act of 1933, as amended (the Securities Act), with respect to the Securities offered hereby. This Prospectus, which forms a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information about the Company and the Securities, reference is hereby made to the Registration Statement and to such exhibits and schedules. Statements contained herein concerning the provisions of any document filed as an exhibit to the Registration Statement or otherwise filed with the Commission are not necessarily complete, and in each instance reference is made to the copy of such document so filed. Each such statement is qualified in its entirety by such reference.

In addition, the Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance therewith files reports, proxy statements and other information with the Commission. Reports, proxy and information statements and other information filed by the Company with the Commission pursuant to the informational requirements of the Exchange Act may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the Commission: Northeast Regional Office, Seven World Trade Center, Suite 1300, New York, New York 10048, and Midwest Regional Office, Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material or any part thereof may also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Certain of such reports, proxy statements and other information are also available over the Internet at <http://www.sec.gov>. The Company's Common Stock is listed and traded on the New York Stock Exchange, Inc. (the NYSE). Reports, proxy and information statements and other information concerning the Company can also be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company has filed the following documents with the Commission and hereby incorporates such documents by reference in this Prospectus:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 1997 (the Form 10-K);

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (the Form 10-Q); and

(3) The description of the Company's capital stock in the Company's Form 10/A, filed with the Commission on December 9, 1993 (the Form 10/A).

Each document or report subsequently filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date hereof and prior to the termination of the offering of the Securities shall be deemed to be incorporated by reference into this Prospectus and to be a part of this Prospectus from the date of filing of such document. Any statement contained herein, or in a document all or a portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of the Registration Statement and this Prospectus to the extent

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that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the Registration Statement or this Prospectus.

The Company will provide without charge to any person to whom this Prospectus is delivered, on the written or oral request of such person, a copy of any or all of the foregoing documents incorporated by reference, other than certain exhibits to such documents. Written requests should be directed to: Eastman Chemical Company, P.O. Box 431, Kingsport, Tennessee 37662-5371, Attention: Corporate Information Center (telephone: (423) 229-1150).

USE OF PROCEEDS

Unless otherwise indicated in the accompanying Prospectus Supplement, the net proceeds from the sale of the Securities will be used for general corporate purposes, which may include additions to working capital, refinancing existing indebtedness, capital expenditures, and possible acquisitions. The Company has not allocated a specific portion of the net proceeds for any particular use at this time. Specific information concerning the use of proceeds from the sale of any Securities may be included in the Prospectus Supplement relating to such Securities.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth the Company's consolidated ratios of earnings to fixed charges and earnings to combined fixed charges and preferred stock dividends for the indicated periods:

	Six Months Ended June 30, 1998	Year Ended December 31,				
		1997	1996	1995	1994	1993
Ratio of earnings to fixed charges	4.2x	3.7x	6.1x	9.7x	6.3x	11.2x
Ratio of earnings to fixed charges and preferred stock dividends	4.2x	3.7x	6.1x	9.7x	6.3x	11.2x

For purposes of computing these ratios, earnings represents income from continuing operations before income taxes plus interest expense, the interest component of rental expense and amortization of capitalized interest. Fixed charges consist of interest expense, one-third of rent expense, which approximates the interest portion of rent expense, and capitalized interest. At this time, no preferred stock dividends are being paid as there are no shares of preferred stock outstanding.

The historical information for 1993, as presented above, was determined during the period when the Company was a wholly owned chemical business of Eastman Kodak Company (Kodak). Pro forma ratio of earnings to fixed charges, giving effect to the spin-off of the Company from Kodak as of December 31, 1993, would approximate 3.7x, reflecting the assumption of \$1.8 billion of new borrowings at a 6% annual interest rate, and adjustments for pension, post-retirement and certain other employee benefit costs. These costs were not allocated to the Company by Kodak during 1993 and therefore are not reflected in the historical information presented above.

DESCRIPTION OF CAPITAL STOCK**Authorized Capital Stock**

The Company is authorized to issue up to 400,000,000 shares of capital stock, of which 50,000,000 may be shares of preferred stock, par value \$.01 per share (Preferred Stock), and 350,000,000 may be shares of common stock, par value \$.01 per share (common stock) and, together with attached Rights, as defined below, Common Stock). As of August 28, 1998, 79,246,594 shares of Common Stock and no shares of Preferred Stock were issued and outstanding.

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The following descriptions of the capital stock of the Company are summaries, and as such do not purport to be complete and are subject, and qualified in their entirety by reference, to the more complete descriptions contained in (i) the Amended and Restated Certificate of Incorporation of the Company (the Certificate of Incorporation), (ii) the Amended and Restated By-laws of the Company (the By-laws), and (iii) the Company's Stockholder Protection Rights Agreement (the Rights Agreement), copies of each of which are incorporated by reference as exhibits to the Registration Statement of which this Prospectus is a part.

Common Stock

Holders of Common Stock are entitled to one vote for each share on all matters voted on by stockholders. Holders of Common Stock do not have cumulative voting rights in the election of directors. Holders of Common Stock do not have any preemptive right to subscribe for or purchase any securities of any class or kind of the Company.

Holders of Common Stock do not have any subscription, redemption or conversion privileges. Subject to the preferences or other rights of any Preferred Stock that may be issued from time to time, holders of Common Stock are entitled to participate ratably in dividends on the Common Stock as declared by the Board of Directors. Holders of Common Stock are entitled to share ratably in all assets available for distribution to stockholders in the event of liquidation or dissolution of the Company, subject to distribution of the preferential amount, if any, to be distributed to holders of Preferred Stock.

Preferred Stock

The Certificate of Incorporation authorizes the Board of Directors, without any vote or action by the holders of Common Stock, to issue up to 50,000,000 shares of Preferred Stock from time to time in one or more classes or series. Other than the participating Preferred Stock relating to the Rights described in Rights Plan below, no class or series of Preferred Stock has been established, and no shares of Preferred Stock have been issued.

Subject to limitations prescribed by law, the Board of Directors is authorized to determine the rights, preferences, limitations and other terms of any class or series of Preferred Stock. Issuances of Preferred Stock would be subject to the applicable rules of the NYSE or other organizations on whose systems the stock of the Company may then be quoted or listed. Depending upon the terms of Preferred Stock established by the Board of Directors, any or all classes or series of Preferred Stock may have preference over the Common Stock with respect to dividends and other distributions and upon liquidation of the Company. Issuance of any such shares with voting powers would dilute the voting power of the outstanding Common Stock. Except as otherwise provided in an applicable Prospectus Supplement, holders of Preferred Stock will not have any preemptive right to subscribe for or purchase any securities of any class or kind of the Company.

A Prospectus Supplement relating to any class or series of Preferred Stock offered thereby will describe the following terms of such class or series of Preferred Stock: (i) the designation of such class or series and the number of shares offered; (ii) the initial public offering price at which such shares will be issued; (iii) the dividend rate of such class or series, the conditions and dates upon which such dividends shall be payable, and whether such dividends shall be cumulative or noncumulative; (iv) the relative ranking and preferences of such class or series as to dividend rights and rights upon any liquidation, dissolution or winding up of the affairs of the Company; (v) any redemption or sinking fund provisions; (vi) any conversion or exchange rights of the holder or the Company; (vii) any voting rights; (viii) any restrictions on further issuances; (ix) any listing of such class or series on any securities exchange; and (x) any other terms of such class or series.

Rights Plan

Each share of the Company's common stock has attached to it one right (Right) issued pursuant to the Rights Agreement. Each Right entitles its registered holder to purchase one one-hundredth of a share

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of a participating Preferred Stock, designed to have economic and voting terms similar to those of one share of common stock, for \$120.00 (the Exercise Price), subject to adjustment, after the earlier of (i) the tenth business day (subject to extension) after commencement of a tender or exchange offer which, if consummated, would result in a person becoming the beneficial owner of 15 percent or more of the outstanding shares of Common Stock (an Acquiring Person), and (ii) the tenth business day (subject to prior adjustment) after the first date (the Flip-in Date) of a public announcement by the Company that a person has become an Acquiring Person, other than as a result of a Flip-over Transaction or Event (as defined below) (in either such case, the Separation Time). The Rights will not trade separately from the shares of common stock unless and until the Separation Time. Until a Right is exercised or exchanged pursuant to the terms of the Rights Agreement, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

The Rights will not be exercisable until the business day following the Separation Time. The Rights will expire on the earliest of (i) the Exchange Time (as defined below), (ii) the close of business on December 13, 2003, (iii) the date on which the Rights are redeemed or terminated as described below and (iv) the merger of the Company into another corporation pursuant to an agreement entered into when there is no Acquiring Person (in any such case, the Expiration Time). The Exercise Price and the number of Rights outstanding, or in certain circumstances the securities purchasable upon exercise of the Rights, are subject to adjustment upon the occurrence of certain events.

In the event that prior to the Expiration Time a Flip-in Date occurs, the Company will take such action as shall be necessary to ensure and provide that each Right (other than Rights beneficially owned by an Acquiring Person or any affiliate, associate or transferee thereof, which Rights shall become void) shall constitute the right to purchase from the Company that number of shares of common stock having an aggregate market price equal to twice the Exercise Price for an amount in cash equal to the then current Exercise Price. In addition, the Board of Directors of the Company may, at its option, at any time after a Flip-in Date and prior to the time that an Acquiring Person becomes the beneficial owner of more than 50 percent of the outstanding shares of Common Stock, elect to exchange all of the then outstanding Rights for shares of common stock at an exchange ratio of one share of common stock per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date of the Separation Time (the Exchange Ratio). Immediately upon such action by the Board of Directors (the Exchange Time), the right to exercise the Rights will terminate and each Right will thereafter represent only the right to receive a number of shares of common stock equal to the Exchange Ratio. If the Company becomes obligated to issue shares of common stock upon exercise of or in exchange for Rights, the Company, at its option, may substitute therefor shares of Participating Preferred Stock, at a rate of one one-hundredth of a share of Participating Preferred Stock for each share of common stock so issuable.

In the event that prior to the Expiration Time the Company enters into, consummates or permits to occur a transaction or series of transactions after the time an Acquiring Person has become such in which, directly or indirectly, (i) the Company shall consolidate or merge or participate in a binding share exchange with any other Person if, at the time of the consolidation, merger or share exchange or at the time the Company enters into an agreement with respect to such consolidation, merger or share exchange, the Acquiring Person controls the Board of Directors of the Company and any term of or arrangement concerning the treatment of shares of capital stock in such merger, consolidation or share exchange relating to the Acquiring Person is not identical to the terms and arrangements relating to other holders of Common Stock or (ii) the Company shall sell or otherwise transfer (or one or more of its subsidiaries shall sell or otherwise transfer) assets (A) aggregating more than 50% of the assets (measured by either book value or fair market value) or (B) generating more than 50% of the operating income or cash flow, of the Company and its subsidiaries (taken as a whole) to any other Person (other than the Company or one or more of its wholly owned subsidiaries) or to two or more such Persons which are affiliated or otherwise acting in concert, if, at the time of such sale or transfer of assets or at the time the Company (or any such subsidiary) enters into an agreement with respect to such sale or transfer, the Acquiring

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Person controls the Board of Directors of the Company (a Flip-over Transaction or Event), the Company shall take such action as shall be necessary to ensure, and shall not enter into, consummate or permit to occur such Flip-over Transaction or Event until it shall have entered into a supplemental agreement with the Person engaging in such Flip-over Transaction or Event or the parent corporation thereof (the Flip-over Entity), for the benefit of the holders of the Rights, providing, that upon consummation or occurrence of the Flip-over Transaction or Event (i) each Right shall thereafter constitute the right to purchase from the Flip-over Entity, upon exercise thereof in accordance with the terms of the Rights Agreement, that number of shares of common stock of the Flip-over Entity having an aggregate Market Price on the date of consummation or occurrence of such Flip-over Transaction or Event equal to twice the Exercise Price for an amount in cash equal to the then current Exercise Price and (ii) the Flip-over Entity shall thereafter be liable for, and shall assume, by virtue of such Flip-over Transaction or Event and such supplemental agreement, all the obligations and duties of the Company pursuant to the Rights Agreement. For purposes of the foregoing description, the term Acquiring Person shall include any Acquiring Person and its Affiliates and Associates counted together as a single Person.

The Rights are redeemable by the Company at \$0.01 per Right, subject to adjustment upon the occurrence of certain events, at any date prior to the date they become exercisable, and, in certain events, may be canceled and terminated without any payment to holders. The Rights have no voting rights and are not entitled to dividends.

The Rights will not prevent a takeover of the Company. The Rights, however, may cause substantial dilution to a person or group that acquires 15 percent or more of the Common Stock unless the Rights are first redeemed or terminated by the Board of Directors of the Company. Nevertheless, the Rights should not interfere with a transaction that is in the best interests of the Company and its stockholders because the Rights can be redeemed or terminated as hereinabove described, before the consummation of such transaction.

The complete terms of the Rights are set forth in the Rights Agreement. The Rights Agreement is incorporated by reference as an exhibit to the Registration Statement of which this Prospectus is a part. A copy of the Rights Agreement can be obtained from the Company as described under Incorporation of Certain Documents By Reference or upon written request to the Rights Agent, First Chicago Trust Company of New York, Suite 4660, 525 Washington Boulevard, Jersey City, New Jersey 07310, Attn: Corporate Actions Department.

Certain Provisions Affecting Control of the Company

General

The provisions of the Certificate of Incorporation, the Company's Bylaws and Delaware statutory law described in this section may delay or make more difficult acquisitions or changes of control of the Company not approved by the Company's Board of Directors. See also Rights Plan above. Such provisions could have the effect of discouraging third parties from making proposals involving an acquisition or change of control of the Company, although such proposals, if made, might be considered desirable by a majority of the Company's stockholders. Such provisions may also have the effect of making it more difficult for third parties to cause the replacement of the current management of the Company without the concurrence of the Board of Directors.

Number of Directors; Removal; Vacancies

The Certificate of Incorporation and the Bylaws provide that the number of directors shall be determined from time to time exclusively by a vote of a majority of the Company's Board of Directors then in office. The Certificate of Incorporation also provides that the Company's Board shall have the exclusive right to fill vacancies, including vacancies created by expansion of the Board. The Certificate of Incorporation further provides that directors may be removed only for cause and only by the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the shares of the Company's capital stock then entitled to vote in the election of directors. This provision, in conjunction with the provision of

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the Certificate of Incorporation authorizing the Board to fill vacant directorships, could prevent stockholders from removing incumbent directors without cause and filling the resulting vacancies with their own nominees.

Classified Board of Directors

The Certificate of Incorporation provides for the Company's Board of Directors to be divided into three classes of directors serving staggered three-year terms. As a result, approximately one third of the Company's Board of Directors are elected each year. This provision could prevent a party who acquires control of a majority of the outstanding voting stock from obtaining control of the Company's Board of Directors until the second annual stockholders meeting following the date the acquiror obtains the controlling stock interest, could have the effect of discouraging a potential acquiror from making a tender offer or otherwise attempting to obtain control of the Company and could thus increase the likelihood that incumbent directors will retain their positions.

No Stockholder Action by Written Consent; Special Meetings

The Certificate of Incorporation provides that stockholder action can be taken