

EASTMAN CHEMICAL CO
Form 8-K
April 20, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

**FORM 8-K
CURRENT REPORT**

Pursuant to Section 13 or 15 (d) of the Securities and Exchange Act of 1934

**Date of report (Date of earliest event reported):
April 20, 2006**

EASTMAN CHEMICAL COMPANY
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other
Jurisdiction of
Incorporation)

1-12626
(Commission File
Number)

62-1539359
(IRS Employer
Identification No.)

200 South Wilcox Drive, Kingsport,
TN
(Address of Principal Executive
Offices)

37660
(Zip Code)

(423) 229-2000
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 8.01. OTHER EVENTS

Eastman Chemical Company's products and operations have been managed and reported in six reportable operating segments, consisting of the Coatings, Adhesives, Specialty Polymers and Inks ("CASPI") segment, the Fibers segment, the Performance Chemicals and Intermediates ("PCI") segment, the Polymers segment, the Specialty Plastics ("SP") segment and the Developing Businesses ("DB") segment. The Company's segments were previously aligned in a divisional structure that provided for goods and services to be transferred between divisions at predetermined prices that may have been in excess of cost, which resulted in the recognition of intersegment sales revenue and operating earnings between divisions. Such interdivisional transactions were eliminated in the Company's consolidated financial statements. In first quarter 2006, the Company realigned its organizational structure to support its growth strategy and to better reflect the integrated nature of the Company's assets. A result of the realigned organizational structure is that goods and services are transferred among the segments at cost. As part of this change, the Company's segment results for 2002 through 2005 have been restated to eliminate the impact of interdivisional sales revenue and operating earnings, as shown in the tables below.

**EASTMAN CHEMICAL COMPANY
SEGMENT INFORMATION**

2005

| <i>(Dollars in millions)</i> | 1 st Qtr | 2 nd Qtr | 3 rd Qtr | 4 th Qtr | Year |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|-------|
| CASPI Segment | | | | | |
| Sales | \$ 319 | \$ 325 | \$ 333 | \$ 322 | 1,299 |
| Operating Earnings | 67 | 64 | 63 | 34 | 228 |
| Fibers Segment | | | | | |
| Sales | \$ 200 | \$ 205 | \$ 228 | \$ 236 | 869 |
| Operating Earnings | 48 | 47 | 60 | 61 | 216 |
| PCI Segment | | | | | |
| Sales | \$ 389 | \$ 397 | \$ 428 | \$ 413 | 1,627 |
| Operating Earnings | 45 | 43 | 40 | 13 | 141 |
| Polymers Segment | | | | | |
| Sales | \$ 656 | \$ 642 | \$ 646 | \$ 575 | 2,519 |
| Operating Earnings | 84 | 50 | 32 | 12 | 178 |
| SP Segment | | | | | |
| Sales | \$ 177 | \$ 180 | \$ 179 | \$ 182 | 718 |
| Operating Earnings | 21 | 21 | 17 | 5 | 64 |
| DB Segment | | | | | |
| Sales | \$ 21 | \$ 3 | \$ 2 | \$ 1 | 27 |
| Operating Earnings | (21) | (22) | (14) | (13) | (70) |
| Eastman Chemical Company | | | | | |
| Sales | \$ 1,762 | \$ 1,752 | \$ 1,816 | \$ 1,729 | 7,059 |
| Operating Earnings | 244 | 203 | 198 | 112 | 757 |

**EASTMAN CHEMICAL
COMPANY
SEGMENT
INFORMATION**

2004

(Dollars in millions)

| | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | Year |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------|
| CASPI Segment | | | | | |
| Sales | \$ 439 | \$ 476 | \$ 357 | \$ 282 | 1,554 |
| Operating Earnings | 28 | (24) | 37 | 23 | 64 |
| Fibers Segment | | | | | |
| Sales | \$ 172 | \$ 181 | \$ 184 | \$ 194 | 731 |
| Operating Earnings | 35 | 37 | 45 | 38 | 155 |
| PCI Segment | | | | | |
| Sales | \$ 290 | \$ 313 | \$ 371 | \$ 373 | 1,347 |
| Operating Earnings | 1 | 8 | (13) | 4 | -- |
| Polymers Segment | | | | | |
| Sales | \$ 515 | \$ 515 | \$ 542 | \$ 611 | 2,183 |
| Operating Earnings | (7) | 20 | 7 | 9 | 29 |
| SP Segment | | | | | |
| Sales | \$ 157 | \$ 154 | \$ 164 | \$ 169 | 644 |
| Operating Earnings | (22) | 18 | 18 | (1) | 13 |
| DB Segment | | | | | |
| Sales | \$ 24 | \$ 37 | \$ 31 | \$ 29 | 121 |
| Operating Earnings | (20) | (18) | (21) | (27) | (86) |
| Eastman Chemical Company | | | | | |
| Sales | \$ 1,597 | \$ 1,676 | \$ 1,649 | \$ 1,658 | 6,580 |
| Operating Earnings | 15 | 41 | 73 | 46 | 175 |

**EASTMAN CHEMICAL
COMPANY
SEGMENT
INFORMATION**

2003

(Dollars in millions)

| | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | Year |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------|
| CASPI Segment | | | | | |
| Sales | \$ 411 | \$ 441 | \$ 422 | \$ 409 | 1,683 |
| Operating Earnings | (4) | 19 | (436) | 17 | (404) |
| Fibers Segment | | | | | |
| Sales | \$ 146 | \$ 166 | \$ 163 | \$ 160 | 635 |
| Operating Earnings | 25 | 36 | 36 | 30 | 127 |
| PCI Segment | | | | | |
| Sales | \$ 297 | \$ 286 | \$ 261 | \$ 254 | 1,098 |
| Operating Earnings | 1 | 2 | (43) | (10) | (50) |
| Polymers Segment | | | | | |
| Sales | \$ 430 | \$ 434 | \$ 442 | \$ 450 | 1,756 |
| Operating Earnings | 29 | 25 | 4 | 6 | 64 |
| SP Segment | | | | | |
| Sales | \$ 144 | \$ 138 | \$ 135 | \$ 142 | 559 |
| Operating Earnings | 31 | 9 | 11 | 10 | 61 |
| DB Segment | | | | | |
| Sales | \$ 13 | \$ 16 | \$ 21 | \$ 19 | 69 |
| Operating Earnings | (23) | (16) | (13) | (13) | (65) |
| Eastman Chemical Company | | | | | |
| Sales | \$ 1,441 | \$ 1,481 | \$ 1,444 | \$ 1,434 | 5,800 |
| Operating Earnings | 59 | 75 | (440) | 39 | (267) |

**EASTMAN CHEMICAL
COMPANY
SEGMENT
INFORMATION**

2002

(Dollars in millions)

| | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | Year |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------|
| CASPI Segment | | | | | |
| Sales | \$ 380 | \$ 427 | \$ 417 | \$ 377 | 1,601 |
| Operating Earnings | 25 | 18 | 20 | (17) | 46 |
| Fibers Segment | | | | | |
| Sales | \$ 149 | \$ 172 | \$ 165 | \$ 156 | 642 |
| Operating Earnings | 36 | 44 | 37 | 27 | 144 |
| PCI Segment | | | | | |
| Sales | \$ 244 | \$ 261 | \$ 265 | \$ 253 | 1,023 |
| Operating Earnings | (1) | (1) | 7 | 3 | 8 |
| Polymers Segment | | | | | |
| Sales | \$ 341 | \$ 400 | \$ 382 | \$ 387 | 1,510 |
| Operating Earnings | 21 | 30 | 3 | (8) | 46 |
| SP Segment | | | | | |
| Sales | \$ 120 | \$ 133 | \$ 141 | \$ 134 | 528 |
| Operating Earnings | 11 | 8 | 11 | 4 | 34 |
| DB Segment | | | | | |
| Sales | \$ 2 | \$ 2 | \$ 4 | \$ 8 | 16 |
| Operating Earnings | (15) | (18) | (17) | (20) | (70) |
| Eastman Chemical Company | | | | | |
| Sales | \$ 1,236 | \$ 1,395 | \$ 1,374 | \$ 1,315 | 5,320 |
| Operating Earnings | 77 | 81 | 61 | (11) | 208 |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Eastman Chemical Company
(Registrant)

Date: April 20, 2006

By: /s/ Curtis E. Espeland

Curtis E. Espeland,
Vice President and Chief Accounting Officer,