

EASTMAN TO BUILD COAL GASIFICATION FACILITY IN TEXAS

Eastman Chemical says it plans to build a \$1.6-billion coal gasification facility at Beaumont, TX. Eastman expects to hold a 50% equity position in the project, which is projected to be online sometime in 2011. Capacity details were not disclosed. The plant will use petroleum coke instead of natural gas to produce low-cost intermediate chemicals, including methanol, hydrogen, and ammonia. Eastman says it has purchased options on several pieces of industrial property, including methanol and ammonia production plants currently owned by Terra Industries. Key participants in the project include: Air Products; Fluor Corp.; and GE Energy. Air Products has signed a letter of intent with Eastman to purchase hydrogen produced at the new plant on a long-term basis. In addition, Air Products will construct world-class air separation units to produce 7,000 tons/day of oxygen to be used for the gasification plant. Fluor will provide front-end engineering and design work for the gasification project. The contract has a value of \$12 million. GE Energy has licensed its gasification technology for the project. Meanwhile, Eastman says it plans to hold a 25% equity position in Faustina Hydrogen Products' (Baton Rouge) previously announced \$1.6-billion solid carbon gasification facility to be located at St. James Parish, LA, due to start up in 2010. Eastman will also provide operations and maintenance services and purchase methanol under a long-term contract. Involvement in these two projects is part of Eastman's plan announced late last year to more than double production of chemicals from coal-based feedstocks from 20% of its total, to 50% in the next 5-7 years. The company is the only chemical producer in the U.S. making chemicals from coal on a commercial scale. It operates an integrated gasification combined-cycle (IGCC) coal gasification facility based on GE Energy technology at Kingsport, TN.

... Earnings Decline on Special Charges

Eastman Chemical's second-quarter net income slipped 7%, to \$105 million (\$1.22/share), which includes a \$16 million charge. Excluding those charges, earnings were \$1.34/share, beating the consensus of analyst estimates of \$1.31/share, as reported by First Call (Boston). Sales were about flat at \$1.9 billion. Eastman's performance chemicals and intermediates (PCI) business posted sales of \$552 million, up 28%, its best quarter in a decade, says Kevin McCarthy, analyst at Bank of America Securities (New York). McCarthy says PCI benefited from a "widening spread between propane costs and selling prices of propylene derivatives; oxo-alcohol outages among Eastman's Asian competitors in Singapore; and Celanese's outage at Clear Lake, TX, which has tightened the global market for acetyl chemicals." "During the third quarter, we expect continued solid results in all of our segments, with the exception of performance polymers outside the U.S.," says chairman and

CEO Brian Ferguson. "We also expect continued high and volatile raw material and energy costs," Ferguson says. Third-quarter earnings are expected to be "slightly above" year-ago results of \$1.24/share.

Celanese Posts Loss; Selects Site for Ticona Relocation

Celanese reported a loss of \$117 million in the second quarter, compared to earnings of \$103 million in the year-ago period. Results included a pre-tax charge of approximately \$265 million related to a debt refinancing completed during the second quarter. An unplanned outage in May at its acetic acid plant at Clear Lake, TX also hurt earnings, Celanese says. Sales rose 7%, to \$1.5 billion. Revenues were up across all divisions except performance products, which were hurt by lower volumes and pricing. "The loss of acetic acid production at our Clear Lake facility regrettably affected our customers and had an impact on our earnings," says David Weidman, chairman and CEO. "However, the solid performance of our specialty businesses in the quarter demonstrates the underlying strength of these global franchises, and the successful start up of our Nanjing, China facility positions the company well for future growth," Weidman says. Separately, Celanese says it will move its Ticona engineering plastics business from Kelsterbach, Germany to the Höchst Industrial Park in Frankfurt. Celanese agreed to move Ticona by mid-2011 to make room for an airport expansion, and will be compensated €650 million (\$864.5 million) by the airport operator. Ticona will build two major plants at the new site. It will construct an integrated 140,000-m.t./year Hostaform polyacetal facility, much larger than the existing 100,000-m.t./year unit at Kelsterbach, including a plant making the product's precursor formaldehyde, "to accommodate future growth," says Lyndon Cole, executive v.p. at Celanese and president at Ticona. Ticona will also build a Celstran long fiber reinforced thermoplastic unit to replace a 20,000-m.t./year plant at Kelsterbach. Completion of both plants is due at the end of 2010.

Lubrizol Posts Record Second-Quarter

Lubrizol's second-quarter net income was up 59%, to \$81.4 million (\$1.16/share), on sales up 10%, to \$1.1 billion. Earnings growth is attributed primarily to a combination of price and product mix, a lower effective tax rate, higher volume, favorable currency exchange, and reduced net interest expense, Lubrizol says. Those gains were "offset somewhat" by higher raw material costs and operating expenses, it says. The company's additives business posted a 12% increase in sales, to \$759 million, as "strong volume growth" in Europe and Latin America offset volume declines in North America and Asia-Pacific. Average costs of raw materials increased 7% compared to the year-ago period, "indicating renewed raw material cost pressure," Lubrizol says. The company's advanced materials segment posted a 9% gain, to \$396 million, reflecting volume increase across all regions. Lubrizol expects full-year 2007 earnings of \$3.82-

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\$3.92/share, which includes a restructuring and impairment credit of 2 cts/share, primarily related to the sale of a closed manufacturing facility.

Olin's Earnings Rise

Olin reported second-quarter net income of \$35.6 million (48 cts/share), up 7% over the second quarter of 2006. Sales climbed 1%, to \$839.1 million. Chlor-alkali earnings declined 17%, to \$55.3 million, due to lower selling prices and higher distribution costs. Chlorine and caustic soda volumes increased by 3% year-over-year, however. Olin says it expects earnings of 40 cts/share in the third quarter, which includes approximately \$6 million of inventory liquidation gains resulting from planned inventory reductions in its metals division. Chlor-alkali earnings are expected to be similar to second-quarter results as higher electrochemical unit values are likely to be offset by seasonally higher electricity costs and increases in transportation costs, Olin says.

Chevron's Chemicals Unit Posts Gain

Chevron reported second-quarter earnings in its chemical operations, which include its 50% stake in Chevron Phillips Chemical as well as its wholly owned Oronite lubricant additives unit, up 10% over the year-ago period, to \$104 million. Earnings benefited from "improved margins on sales of lubricant and fuel additives," Chevron says.

Minerals Technologies Reports Double-Digit Income Growth

Minerals Technologies reported second quarter net income of \$14.4 million, up 14% over the same period last year. The company cites benefits from an expense control program and favorable currency exchange. Sales grew 5%, to \$279.5 million. Sales in the company's specialty minerals segment, which includes PCC and processed minerals, rose 5%, to \$188.9 million, while refractory sales were up 4%, to \$90.6 million. "Although the refractory segment improved during the quarter, we are now seeing price increases for magnesia, the primary raw material for refractories, which will have an impact for the remainder of the year," says Joseph Muscari, chairman and CEO of Minerals Technologies.

Valley Acquires Indiana Gas Supplier

Valley Nataional Gases says it has acquired Mitchell Industrial Supply (Elkhart, IA), an industrial gases and welding supply distributor for an undisclosed amount. "This acquisition fits well with our strategy of growth through selective, quality acquisitions," says Michael Ziegler, Valley CEO. Mitchell serves customers throughout northern Indiana and southwest Michigan.

CHEMICAL STOCK UPDATE (quotes as of 12 pm Eastern daily)

COMPANY	TODAY	YESTERDAY
Air Products (APD)	86.54	89.14
Airgas (ARG)	45.08	45.36
Arch (ARJ)	33.55	34.03
Albemarle (ALB)	39.97	40.71
Ashland (ASH)	61.20	63.00
Cabot (CBT)	38.34	41.01
Chemtura (CEM)	10.36	10.45
Cytec Industries (CYT)	67.85	68.05
Celanese (CE)	36.33	38.65
CF Industries (CF)	53.86	53.28
Dow Chem. (DOW)	42.58	43.28
DuPont (DD)	46.80	47.50
Eastman Chem (EMN)	66.36	67.72
ExxonMobil (XOM)	86.39	88.66
Ferro (FOE)	22.05	22.87
FMC Corp. (FMC)	87.95	87.23
H.B. Fuller (FUL)	27.09	27.13
Huntsman (HUN)	25.49	24.90
Georgia Gulf (GGC)	16.45	17.05
Hercules (HPC)	20.49	20.90
Honeywell (HON)	59.03	59.74
Innospec (IOSP)	27.88	28.51
Lubrizol (LZ)	62.78	63.57
Lyondell (LYO)	45.10	44.34
Monsanto (MON)	63.90	63.94
Nalco Holding (NLC)	23.49	24.25
NL Industries (NL)	9.53	9.57
Nova Chemicals (NCX)	36.92	37.34
Occidental (OXY)	56.59	58.38
Olin (OLN)	20.55	19.72
PolyOne (POL)	7.76	7.93
PPG Industries (PPG)	75.95	78.03
Praxair (PX)	75.70	76.24
Rockwood Holdings (ROC)	33.59	34.63
Rohm and Haas (ROH)	55.79	56.70
Schulman (SHLM)	22.89	22.83
Sensient Technologies (SXT)	24.40	25.15
Solutia (Solug)	0.28	0.30
Tronox (TRX)	12.00	12.63
Wellman (WLM)	2.75	3.02
Westlake (WLK)	24.93	25.44
W.R. Grace (GRA)	18.40	20.50



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CW75 Index*

JULY 25	223.77
WEEK AGO	230.73
QUARTER AGO	207.80
YEAR AGO	158.38

*Jan. 1, 2002 = 100.

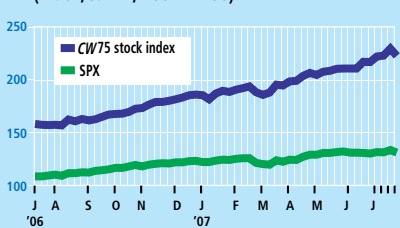
The CW75 Index fell 3% for the week ending July 25, compared to 1.7% drop for broader S&P 500 index. Basic chemicals fell 3.2%, diversified fell 3.8%, and 1.5% in specialty chemicals.

Sherwin-Williams led gainers with a 7.1% advance, on a strong earnings report and an increase in its 2007 earnings outlook.

Hercules advanced 2.9% on a strong earnings report, as did Air Products, up 2.6%.

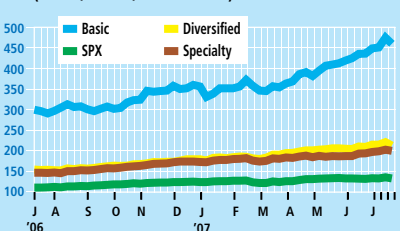
Georgia Gulf declined 12.9% for the week, as it was downgraded by UBS. American Vanguard declined 12.4%.

CW75
(index; Jan. 1, 2002 = 100)



Source: CW research.

SECTOR COMPARISON
(index; Jan. 1, 2002 = 100)



Source: CW research.

Company	Ticker	Category*	Marketcap (\$ millions)	Closing price	1-Week change	1-Week change vs. CW75 Index	YTD % change	YTD Change vs. CW75 Index	Trailing P-E	Dividend yield	52-week High	52-week low	Weekly Volume
Basf	BF	D	64553	130.49	-4.1%	-1.1%	34.2%	37.2%	14.37	2.40%	137.43	77.61	0.2%
3M	MMM	D	64544	89.62	-2.0	1.0	15.0	18.0	15.65	2.10	92.32	70.59	2.7
Bayer	BAY	D	55751	72.94	-5.6	-2.6	36.7	39.7	10.81	1.40	78.85	48.95	0.2
DuPont	DD	D	45435	49.19	-7.8	-4.8	1.0	4.0	14	2.90	53.90	38.82	4.2
Dow Chemical	DOW	D	43534	45.67	-3.2	-0.1	14.5	17.5	12.76	3.60	47.96	33.00	3.1
Monsanto	MON	D	36273	66.50	-4.5	-1.5	26.6	29.6	34.8	0.70	70.75	42.00	4.0
Shin-Etsu	SHECF	B	33489	77.50	1.2	4.2	15.9	18.9	n/a	n/a	78.12	55.12	0.0
Air Liquide	AIQYU	S	31678	26.18	-1.8	1.3	-45.3	-42.3	n/a	n/a	27.85	9.53	0.0
Sasol	SSL	B	25277	40.43	0.3	3.3	9.6	12.6	15.79	2.00	42.73	28.24	0.5
Akzo Nobel	AKZOY	D	24745	86.01	-2.1	0.9	41.3	44.3	15.67	n/a	88.88	53.63	0.3
PotashCorp	POT	B	24374	77.28	-8.7	-5.7	61.6	64.6	35.08	0.50	86.85	28.66	4.8
Praxair	PX	S	24352	76.41	-0.5	2.6	28.8	31.8	24.41	1.50	78.76	52.67	4.7
Air Products	APD	S	19517	90.10	2.6	5.6	28.2	31.2	25.47	1.70	89.10	61.04	4.5
Linde	LNAGF	S	19322	120.05	-2.6	0.4	16.3	19.3	n/a	n/a	126.38	80.62	0.0
Syngenta	SYT	D	18345	37.75	-5.7	-2.7	1.6	4.7	29.72	1.50	41.40	28.29	0.4
Mosaic	MOS	B	16369	37.17	-5.8	-2.8	74.0	77.0	619.5	n/a	41.86	15.66	2.3
ICI	ICI	S	14852	49.70	-1.5	1.5	40.3	43.3	n/a	n/a	52.00	26.74	0.0
Solvay	SVVSY	D	13531	159.75	-0.4	2.6	5.8	8.8	n/a	n/a	163.25	115.68	0.1
PPG Industries	PPG	D	13189	80.34	-0.1	2.9	25.1	28.1	19.35	2.50	82.42	62.86	6.1
MEMC	WFR	S	12961	57.76	-2.2	0.8	47.6	50.6	30.46	n/a	68.80	27.35	11.8
Rohm & Haas	ROH	S	12697	58.58	-3.4	-0.4	14.6	17.6	17.93	2.50	62.68	43.70	3.8
Lyondell Chemical	LYO	B	11466	45.34	-3.7	-0.7	77.3	80.3	n/a	1.90	47.25	21.22	22.6
Ecolab	ECL	S	10704	43.36	-0.7	2.3	-4.1	-1.1	29.22	1.00	46.40	37.01	3.5
Royal DSM	RDSMY	D	9880	12.65	-2.3	0.7	2.8	5.9	n/a	n/a	13.20	9.00	0.0
Sherwin-Williams	SHW	S	9467	71.78	7.1	10.1	12.9	15.9	16.39	1.80	73.96	50.50	7.2
Avery Dennison	AVY	S	7030	65.98	-2.6	0.4	-2.9	0.1	17.48	2.40	71.35	58.01	6.4
Celanese	CE	D	6300	39.99	-3.1	-0.1	54.5	57.5	14.08	4.00	42.49	16.80	15.0
Sigma-Aldrich	SIAL	S	5896	44.90	0.7	3.7	15.5	18.6	21.16	1.00	45.32	34.09	4.6
Eastman Chemical	EMN	D	5853	69.59	1.1	4.2	17.3	20.3	15.31	2.50	72.44	48.72	7.5
Agrium	AGU	B	5808	43.34	-7.0	-4.0	37.6	40.6	82.71	0.20	47.55	22.22	6.0
Huntsman	HUN	D	5672	25.56	-3.0	0.0	34.7	37.8	28.75	1.50	28.40	16.68	3.9
Rhodia	RHA	D	4876	48.61	-2.4	0.6	17.8	20.8	22.5	n/a	50.65	2.16	0.2
Lubrizol	LZ	S	4524	65.39	-3.1	-0.1	30.4	33.5	23.68	1.80	69.89	38.85	3.1
IFF	IFF	S	4469	50.07	-4.8	-1.8	1.9	4.9	19.35	1.60	54.09	34.75	2.9
Shanghai Petrochemical	SHI	B	4462	62.00	1.2	4.2	25.2	28.2	17.22	0.80	75.95	40.85	0.2
Ciba	CSBHY	S	4206	30.45	-5.7	-2.7	-8.6	-5.6	n/a	n/a	34.58	25.51	0.2
Ashland	ASH	D	4019	64.03	-2.3	0.7	-7.4	-4.4	11.05	1.70	71.04	57.25	5.0
Albemarle	ALB	S	3988	41.62	-1.7	1.3	15.9	18.9	24.31	1.00	44.81	25.60	4.8
Airgas	ARG	S	3798	48.04	-2.1	0.9	137.1	140.1	25.03	0.70	49.93	33.50	3.2
Naico Holding	NLC	S	3532	24.47	-4.4	-1.4	19.6	22.6	32.8	0.60	29.29	17.10	5.2
FMC	FMC	D	3489	91.12	-2.5	0.5	19.0	22.0	25.62	0.90	94.50	55.50	3.4
Cytec Industries	CYT	S	3305	69.28	0.6	3.6	22.6	25.6	15.81	0.60	74.25	49.65	7.8
Church & Dwight	CHD	D	3257	49.51	0.3	3.3	16.1	19.1	23.22	0.60	52.93	37.75	3.3
Nova Chemicals	NXC	B	3242	39.18	-3.8	-0.8	40.4	43.4	n/a	0.90	41.79	26.93	6.4
Cabot	CBT	D	3056	47.46	-1.0	2.0	8.9	11.9	23.55	1.50	49.87	32.50	2.9
RPM International	RPM	S	2958	24.47	2.1	5.1	17.1	20.2	n/a	2.80	25.74	17.40	4.4
Valspar	VAL	S	2865	28.57	0.2	3.2	3.4	6.4	18.46	1.80	29.58	23.83	2.7
Rockwood Holdings	ROC	S	2681	36.33	-6.5	-3.5	43.8	46.8	13.11	n/a	39.32	19.79	2.0
Chemtura	CEM	S	2608	10.81	-4.8	-1.8	12.3	15.3	n/a	1.80	12.33	8.00	3.7
Methanex	MEOH	B	2585	25.05	-5.5	-2.5	-8.5	-5.5	5.26	2.20	29.50	19.31	4.3
Hercules	HPC	S	2554	21.91	2.9	5.9	13.5	16.5	8.28	n/a	22.48	12.00	17.0
Westlake Chemical	WLK	B	1717	26.22	-10.3	-7.3	-16.4	-13.4	10.51	0.60	37.14	26.01	2.9
HB Fuller	FUL	S	1682	27.68	-5.0	-2.0	7.2	10.2	11.43	0.80	31.53	18.11	7.1
Olin	OLN	D	1513	20.52	-8.2	-5.2	24.2	27.2	10.79	3.70	22.71	14.33	9.1
OM Group	OMG	S	1505	50.49	-7.7	-4.7	11.5	14.5	4.79	n/a	63.73	37.40	9.2
Minerals Technologies	MTX	S	1253	65.64	-4.9	-1.9	11.7	14.7	26.73	0.30	69.68	50.10	4.1
Sensient Technologies	SXT	S	1224	26.24	-2.9	0.1	6.7	9.7	17.27	2.60	30.34	19.32	3.4
ATMI	ATMI	S	1114	32.27	-2.9	0.1	5.7	8.7	30.16	n/a	36.05	28.31	11.1
Compass Minerals	CMP	B	1095	34.03	-4.1	-1.1	7.8	10.8	21.19	3.70	36.79	24.71	3.7
Ferro	FOE	S	1039	23.94	-4.7	-1.6	15.7	18.7	61.07	2.30	26.03	15.20	3.8
Cabot Microelectronics	CCMP	S	910	38.27	-2.1	0.9	12.8	15.8	29.06	n/a	40.91	27.66	7.8
Arch Chemicals	ARJ	S	838	34.47	-6.1	-3.1	3.5	6.5	36.36	2.20	37.21	26.64	4.5
Polyone	POL	D	776	8.35	-4.2	-1.2	11.3	14.3	9.27	n/a	9.29	5.99	4.1
Innospec	IOSP	S	733	30.51	-0.9	2.1	31.1	34.1	45.81	0.30	32.45	11.20	8.9
Rogers	ROG	S	688	38.92	-0.8	2.2	-34.2	-31.2	15.68	n/a	75.00	35.72	4.8
A. Schulman	SHLM	S	637	23.37	-6.4	-3.4	5.0	8.0	29.92	2.30	25.97	19.60	3.1
Georgia Gulf	GGC	B	616	17.91	-12.9	-9.9	-7.3	-4.2	n/a	1.60	30.05	14.85	12.1
Albany Molecular	AMRI	S	575	16.46	-1.0	2.0	55.9	58.9	151.01	n/a	17.04	9.05	2.9
NL Industries	NL	B	493	10.14	-6.6	-3.6	-1.9	1.1	19.54	4.80	14.50	9.76	0.6
Cambrex	CBM	S	396	13.82	0.7	3.7	-39.2	-36.2	2.13	0.90	26.17	11.37	3.8
American Vanguard	AVD	S	362	13.81	-12.4	-9.4	-13.1	-10.1	24.93	0.50	20.00	12.77	3.2
Symyx Technologies	SMMX	S	360	10.82	-2.1	0.9	-49.9	-46.9	64.79	n/a	25.20	9.86	4.6
Stepan	SCL	S	284	30.75	-4.2	-1.2	-2.9	0.1	33.75	2.60	32.25	25.14	2.1
Quaker Chemical	KWR	S	227	22.57	-6.8	-3.8	2.3	5.3	17.66	3.70	25.00	18.11	2.3
Aceto	ACET	S	222	9.13	-4.0	-1.0	5.7	8.7	25.08	2.10	9.98	6.54	1.7

*D = Diversified, S = Specialty, B = Basic. Source: CW research.

LEADERS

COMPANY NAME	TICKER	1-WEEK CHANGE (%)
Sherwin-Williams	SHW	7.1%
Hercules	HPC	2.9
Air Products	APD	2.6
RPM International	RPM	2.1
Shin-Etsu Chemical	SHECF	1.2
Shanghai Petrochemical	SHI	1.2
Eastman Chemical	EMN	1.1
Cambrex	CBM	0.7
Sigma-Aldrich	SIAL	0.7
Cytec Industries	CYT	0.6

LAGGARDS

COMPANY NAME	TICKER	1-WEEK CHANGE (%)
Georgia Gulf	GGC	-12.89%
American Vanguard	AVD	-12.37
Westlake Chem	WLK	-10.33
PotashCorp	POT	-8.72
Olin	OLN	-8.19
DuPont	DD	-7.80
OM Group	OMG	-7.70
Agrium	AGU	-7.00
Quaker Chemical	KWR	-6.81
NL Industries	NL	-6.63

