

CORN PRODUCTS INTERNATIONAL INC

Form 10-Q

November 07, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
FOR THE QUARTERLY PERIOD ENDED September 30, 2007**

**COMMISSION FILE NUMBER 1-13397**

**CORN PRODUCTS INTERNATIONAL, INC.**

(Exact name of Registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of incorporation or organization)

**22-3514823**

(I.R.S. Employer Identification Number)

**5 WESTBROOK CORPORATE CENTER,**

**WESTCHESTER, ILLINOIS**

(Address of principal executive offices)

**60154**

(Zip Code)

**(708) 551-2600**

(Registrant's telephone number, including area code)

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 registrant's classes of common stock, as of the latest practicable date.

**CLASS**  
Common Stock, \$.01 par value

**OUTSTANDING AT October 31, 2007**  
74,836,185 shares

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Condensed Consolidated Statements of Income  
(Unaudited)**

| (In millions, except per share amounts)          | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |           |
|--------------------------------------------------|-------------------------------------|---------|------------------------------------|-----------|
|                                                  | 2007                                | 2006    | 2007                               | 2006      |
| Net sales before shipping and handling costs     | \$938.7                             | \$733.4 | \$2,672.4                          | \$2,100.3 |
| Less: shipping and handling costs                | 61.3                                | 59.2    | 176.1                              | 166.3     |
| Net sales                                        | 877.4                               | 674.2   | 2,496.3                            | 1,934.0   |
| Cost of sales                                    | 735.7                               | 562.0   | 2,053.0                            | 1,624.5   |
| Gross profit                                     | 141.7                               | 112.2   | 443.3                              | 309.5     |
| Operating expenses                               | 61.7                                | 49.9    | 184.1                              | 147.1     |
| Other income-net                                 | 8.0                                 | 2.2     | 7.2                                | 5.4       |
| Operating income                                 | 88.0                                | 64.5    | 266.4                              | 167.8     |
| Financing costs-net                              | 10.0                                | 6.6     | 32.8                               | 20.7      |
| Income before income taxes and minority interest | 78.0                                | 57.9    | 233.6                              | 147.1     |
| Provision for income taxes                       | 25.8                                | 20.0    | 77.8                               | 53.7      |
|                                                  | 52.2                                | 37.9    | 155.8                              | 93.4      |
| Minority interest in earnings                    | 1.1                                 | 0.9     | 4.1                                | 2.8       |
| Net income                                       | \$ 51.1                             | \$ 37.0 | \$ 151.7                           | \$ 90.6   |
| Weighted average common shares outstanding:      |                                     |         |                                    |           |
| Basic                                            | 75.0                                | 74.0    | 74.8                               | 74.0      |
| Diluted                                          | 77.0                                | 75.5    | 76.7                               | 75.4      |
| Earnings per common share:                       |                                     |         |                                    |           |
| Basic                                            | \$ 0.68                             | \$ 0.50 | \$ 2.03                            | \$ 1.22   |
| Diluted                                          | \$ 0.66                             | \$ 0.49 | \$ 1.98                            | \$ 1.20   |

See Notes to Condensed Consolidated Financial Statements

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Condensed Consolidated Balance Sheets**

|                                                                                                                                                                    | <b>September<br/>30,<br/>2007<br/>(Unaudited)</b> | <b>December<br/>31,<br/>2006</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------|
| <b>(In millions, except share and per share amounts)</b>                                                                                                           |                                                   |                                  |
| <b>Assets</b>                                                                                                                                                      |                                                   |                                  |
| Current assets                                                                                                                                                     |                                                   |                                  |
| Cash and cash equivalents                                                                                                                                          | \$ 157                                            | \$ 131                           |
| Accounts receivable net                                                                                                                                            | 389                                               | 357                              |
| Inventories                                                                                                                                                        | 380                                               | 321                              |
| Prepaid expenses                                                                                                                                                   | 17                                                | 12                               |
| Deferred income taxes                                                                                                                                              | 17                                                | 16                               |
| <b>Total current assets</b>                                                                                                                                        | <b>960</b>                                        | <b>837</b>                       |
| Property, plant and equipment net                                                                                                                                  | 1,450                                             | 1,356                            |
| Goodwill and other intangible assets net                                                                                                                           | 432                                               | 381                              |
| Deferred income taxes                                                                                                                                              | 2                                                 | 1                                |
| Investments                                                                                                                                                        | 12                                                | 33                               |
| Other assets                                                                                                                                                       | 96                                                | 54                               |
| <b>Total assets</b>                                                                                                                                                | <b>\$ 2,952</b>                                   | <b>\$ 2,662</b>                  |
| <b>Liabilities and equity</b>                                                                                                                                      |                                                   |                                  |
| Current liabilities                                                                                                                                                |                                                   |                                  |
| Short-term borrowings and current maturities of long-term debt                                                                                                     | \$ 85                                             | \$ 74                            |
| Deferred income taxes                                                                                                                                              | 14                                                | 14                               |
| Accounts payable and accrued liabilities                                                                                                                           | 457                                               | 429                              |
| <b>Total current liabilities</b>                                                                                                                                   | <b>556</b>                                        | <b>517</b>                       |
| Non-current liabilities                                                                                                                                            | 159                                               | 147                              |
| Long-term debt                                                                                                                                                     | 535                                               | 480                              |
| Deferred income taxes                                                                                                                                              | 117                                               | 121                              |
| Minority interest in subsidiaries                                                                                                                                  | 20                                                | 19                               |
| Redeemable common stock (500,000 and 1,227,000 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively) stated at redemption value | 23                                                | 44                               |
| Share-based payments subject to redemption                                                                                                                         | 9                                                 | 4                                |
| <b>Stockholders equity</b>                                                                                                                                         |                                                   |                                  |
| Preferred stock authorized 25,000,000 shares- \$0.01 par value none issued                                                                                         |                                                   |                                  |
| Common stock authorized 200,000,000 shares- \$0.01 par value 74,819,774 and 74,092,774 shares issued at September 30, 2007 and December 31, 2006, respectively     | 1                                                 | 1                                |

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|                                                                                                                                     |                 |                 |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Additional paid in capital                                                                                                          | <b>1,074</b>    | <b>1,051</b>    |
| Less: Treasury stock (common stock; 470,067 and 1,017,207 shares at September 30, 2007 and December 31, 2006, respectively) at cost | <b>(15)</b>     | <b>(27)</b>     |
| Accumulated other comprehensive loss                                                                                                | <b>(184)</b>    | <b>(223)</b>    |
| Retained earnings                                                                                                                   | <b>657</b>      | <b>528</b>      |
| <b>Total stockholders' equity</b>                                                                                                   | <b>1,533</b>    | <b>1,330</b>    |
| <b>Total liabilities and equity</b>                                                                                                 | <b>\$ 2,952</b> | <b>\$ 2,662</b> |

See Notes to Condensed Consolidated Financial Statements

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**CORN PRODUCTS INTERNATIONAL, INC.**  
**Condensed Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

| <b>(In millions)</b>                                                                                                                                        | <b>Three Months Ended</b> |              | <b>Nine Months Ended</b> |              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------|--------------------------|--------------|
|                                                                                                                                                             | <b>September 30,</b>      |              | <b>September 30,</b>     |              |
|                                                                                                                                                             | <b>2007</b>               | <b>2006</b>  | <b>2007</b>              | <b>2006</b>  |
| Net income                                                                                                                                                  | <b>\$51</b>               | <b>\$ 37</b> | <b>\$152</b>             | <b>\$ 91</b> |
| Comprehensive income (loss):                                                                                                                                |                           |              |                          |              |
| Gains (losses) on cash flow hedges, net of income tax effect of \$2, \$6, \$11 and \$17, respectively                                                       | <b>4</b>                  | <b>(10)</b>  | <b>(17)</b>              | <b>(29)</b>  |
| Reclassification adjustment for (gains) losses on cash flow hedges included in net income, net of income tax effect of \$-, \$1, \$12 and \$4, respectively | <b>1</b>                  | <b>2</b>     | <b>(19)</b>              | <b>7</b>     |
| Currency translation adjustment                                                                                                                             | <b>18</b>                 | <b>4</b>     | <b>75</b>                | <b>31</b>    |
| Comprehensive income                                                                                                                                        | <b>\$74</b>               | <b>\$ 33</b> | <b>\$191</b>             | <b>\$100</b> |

See Notes to Condensed Consolidated Financial Statements

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1****FINANCIAL STATEMENTS****CORN PRODUCTS INTERNATIONAL, INC.****Condensed Consolidated Statement of Stockholders' Equity and Redeemable Equity  
(Unaudited)**

|                                                                                                | <b>STOCKHOLDERS' EQUITY</b> |                    |                 |                      |                 | <b>Share-based</b> |                |
|------------------------------------------------------------------------------------------------|-----------------------------|--------------------|-----------------|----------------------|-----------------|--------------------|----------------|
|                                                                                                | <b>Additional</b>           | <b>Accumulated</b> | <b>Other</b>    | <b>Retained</b>      | <b>Common</b>   | <b>Payments</b>    | <b>Subject</b> |
| <b>(in millions)</b>                                                                           | <b>Common</b>               | <b>Paid-In</b>     | <b>Treasury</b> | <b>Comprehensive</b> | <b>Earnings</b> | <b>Stock</b>       | <b>to</b>      |
|                                                                                                | <b>Stock</b>                | <b>Capital</b>     | <b>Stock</b>    | <b>Income</b>        |                 | <b>Redemption</b>  |                |
|                                                                                                |                             |                    |                 | <b>(Loss)</b>        |                 |                    |                |
| <b>Balance, December 31, 2006</b>                                                              | <b>\$1</b>                  | <b>\$1,051</b>     | <b>\$(27)</b>   | <b>\$ (223)</b>      | <b>\$528</b>    | <b>\$ 44</b>       | <b>\$ 4</b>    |
| Net income                                                                                     |                             |                    |                 |                      | <b>152</b>      |                    |                |
| Dividends declared                                                                             |                             |                    |                 |                      | <b>(22)</b>     |                    |                |
| Losses on cash flow hedges, net of income tax effect of \$11                                   |                             |                    |                 | <b>(17)</b>          |                 |                    |                |
| Amount of gains on cash flow hedges reclassified to earnings, net of income tax effect of \$12 |                             |                    |                 | <b>(19)</b>          |                 |                    |                |
| Repurchases of common stock                                                                    |                             |                    | <b>(10)</b>     |                      |                 |                    |                |
| Issuance of common stock on exercise of stock options                                          |                             | <b>(7)</b>         | <b>20</b>       |                      |                 |                    |                |
| Share-based compensation                                                                       |                             | <b>9</b>           | <b>2</b>        |                      |                 |                    | <b>5</b>       |
| Change in fair value and number of shares of redeemable common stock                           |                             | <b>21</b>          |                 |                      |                 | <b>(21)</b>        |                |
| Currency translation adjustment                                                                |                             |                    |                 | <b>75</b>            |                 |                    |                |
| Cumulative effect of adopting FIN 48                                                           |                             |                    |                 |                      | <b>(1)</b>      |                    |                |
| <b>Balance, September 30, 2007</b>                                                             | <b>\$1</b>                  | <b>\$1,074</b>     | <b>\$(15)</b>   | <b>\$ (184)</b>      | <b>\$657</b>    | <b>\$ 23</b>       | <b>\$ 9</b>    |

See Notes to Condensed Consolidated Financial Statements

**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1****FINANCIAL STATEMENTS**

**CORN PRODUCTS INTERNATIONAL, INC.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

|                                                                 | <b>Nine Months Ended<br/>September 30,</b> |             |
|-----------------------------------------------------------------|--------------------------------------------|-------------|
| <b>(In millions)</b>                                            | <b>2007</b>                                | <b>2006</b> |
| <b>Cash provided by (used for) operating activities:</b>        |                                            |             |
| Net income                                                      | \$ 152                                     | \$ 91       |
| Non-cash charges (credits) to net income:                       |                                            |             |
| Depreciation                                                    | 93                                         | 84          |
| Minority interest in earnings                                   | 4                                          | 3           |
| Changes in working capital:                                     |                                            |             |
| Accounts receivable and prepaid items                           | (43)                                       | (46)        |
| Inventories                                                     | (39)                                       | (43)        |
| Accounts payable and accrued liabilities                        |                                            | 13          |
| Other                                                           | (18)                                       | 19          |
| Cash provided by operating activities                           | 149                                        | 121         |
| <b>Cash provided by (used for) investing activities:</b>        |                                            |             |
| Capital expenditures, net of proceeds on disposal               | (105)                                      | (116)       |
| Payments for acquisitions (net of cash acquired of \$7 in 2007) | (59)                                       | (22)        |
| Other                                                           | 1                                          |             |
| Cash used for investing activities                              | (163)                                      | (138)       |
| <b>Cash provided by (used for) financing activities:</b>        |                                            |             |
| Proceeds from borrowings                                        | 337                                        | 21          |
| Payments on debt                                                | (281)                                      | (31)        |
| Issuance of common stock                                        | 13                                         | 19          |
| Repurchase of common stock                                      | (10)                                       | (23)        |
| Dividends paid (including to minority interest shareholders)    | (24)                                       | (20)        |
| Excess tax benefit on share based compensation                  | 4                                          | 5           |
| Other                                                           | (1)                                        |             |
| Cash provided by (used for) financing activities                | 38                                         | (29)        |
| Effect of foreign exchange rate changes on cash                 | 2                                          | 2           |
| Increase (decrease) in cash and cash equivalents                | 26                                         | (44)        |
| Cash and cash equivalents, beginning of period                  | 131                                        | 116         |
| Cash and cash equivalents, end of period                        | \$ 157                                     | \$ 72       |

See Notes to Condensed Consolidated Financial Statements

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**Table of Contents****CORN PRODUCTS INTERNATIONAL, INC.****Notes to Condensed Consolidated Financial Statements****1. Interim Financial Statements**

References to the Company are to Corn Products International, Inc. and its consolidated subsidiaries. These statements should be read in conjunction with the consolidated financial statements and the related notes to those statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

The unaudited condensed consolidated interim financial statements included herein were prepared by management and reflect all adjustments (consisting solely of normal recurring items unless otherwise noted) which are, in the opinion of management, necessary to present a fair statement of results of operations and cash flows for the interim periods ended September 30, 2007 and 2006, and the financial position of the Company as of September 30, 2007. The results for the interim periods are not necessarily indicative of the results expected for the full years.

Certain prior year amounts in the Condensed Consolidated Financial Statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on previously recorded net income.

**2. Acquisitions**

On February 12, 2007, the Company acquired the food business assets of SPI Polyols, a subsidiary of ABF North America Holdings, Inc., and the common shares of an SPI unit that owned the 50 percent of Getec Guanabara Quimica Industrial S.A. ( GETEC ) not previously held by Corn Products International. GETEC is a major Brazilian producer of polyols, including liquid sorbitol and mannitol, and anhydrous dextrose, for the personal care, food, candy and confectionary, and pharmaceutical markets. The Company paid approximately \$66 million in cash to complete this acquisition, which was accounted for under the purchase method of accounting. Goodwill of approximately \$46 million was recorded. Effective with the acquisition, GETEC, which was previously accounted for as a non-controlled affiliate under the equity method, became a consolidated subsidiary of the Company.

**3. Share-Based Compensation**

The Company accounts for share-based compensation under the provisions of Statement of Financial Accounting Standards No. 123R Share-Based Payment.

A summary of information with respect to share-based compensation is as follows:

| (in millions)                                                                 | For the Three<br>Months Ended<br>September 30, |       | For the Nine<br>Months Ended<br>September 30, |       |
|-------------------------------------------------------------------------------|------------------------------------------------|-------|-----------------------------------------------|-------|
|                                                                               | 2007                                           | 2006  | 2007                                          | 2006  |
| Total share-based compensation expense included in net income                 | \$3.4                                          | \$2.2 | \$11.0                                        | \$6.4 |
| Income tax benefit related to share-based compensation included in net income | 1.1                                            | 0.8   | 3.7                                           | 2.3   |

**Table of Contents***Stock Options:*

Under the Company's stock incentive plan, stock options are granted at exercise prices that equal the market value of the underlying common stock on the date of grant. The options are exercisable upon vesting, which occurs for grants issued in 2007 evenly over a three year period at the anniversary dates of the date of grant, and have a term of 10 years. Stock options granted prior to 2007 are exercisable upon vesting, which occurs in 50 percent increments at the one and two year anniversary dates of the date of grant, and also have a term of 10 years. Compensation expense is recognized on a straight-line basis over the vesting period of the awards.

During the nine months ended September 30, 2007, the Company granted non-qualified options to purchase 778,000 shares of the Company's common stock. None of the options were granted in the third quarter.

The fair value of each option grant was estimated using the Black-Scholes option pricing model with the following assumptions:

|                          | September 30,<br>2007 | September 30,<br>2006 |
|--------------------------|-----------------------|-----------------------|
| Expected life (in years) | 5.3                   | 5.3                   |
| Risk-free interest rate  | 4.76%                 | 4.2%                  |
| Expected volatility      | 26.75%                | 27.8%                 |
| Expected dividend yield  | 0.98%                 | 1.1%                  |

The expected life of options represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and the Company's historical exercise patterns. The risk-free interest rate is based on the US Treasury yield curve in effect at the time of the grant for periods corresponding with the expected life of the options. Expected volatility is based on historical volatilities of the Company's common stock. Dividend yields are based on historical dividend payments.

Stock option activity for the nine months ended September 30, 2007 was as follows:

| (dollars and shares in thousands)         | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price | Average<br>Remaining<br>Contractual<br>Term<br>(Years) | Aggregate<br>Intrinsic<br>Value |
|-------------------------------------------|----------------------|------------------------------------------|--------------------------------------------------------|---------------------------------|
| Outstanding at December 31, 2006          | 4,350                | \$19.45                                  |                                                        |                                 |
| Granted                                   | 778                  | 33.93                                    |                                                        |                                 |
| Exercised                                 | (767)                | 17.46                                    |                                                        |                                 |
| Cancelled                                 | (35)                 | 29.72                                    |                                                        |                                 |
| Outstanding at September 30, 2007         | 4,326                | 22.32                                    | 6.6                                                    | \$96,561                        |
| Options exercisable at September 30, 2007 | 3,058                | 18.83                                    | 5.7                                                    | \$57,566                        |

For the nine months ended September 30, 2007, cash received from the exercise of stock options was \$13 million and the excess income tax benefit realized from share-based compensation was approximately \$4 million. As of September 30, 2007, the total remaining

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unrecognized compensation cost related to non-vested stock options amounted to \$6.9 million, which will be amortized over the weighted-average period of approximately 1.5 years.

Additional information pertaining to stock option activity is as follows:

| (dollars in thousands, except per share)                                    | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|-----------------------------------------------------------------------------|-------------------------------------|----------|------------------------------------|----------|
|                                                                             | 2007                                | 2006     | 2007                               | 2006     |
| Weighted average grant date fair value of stock options granted (per share) | \$                                  | \$       | \$ 10.37                           | \$ 7.72  |
| Total intrinsic value of stock options exercised                            | \$3,045                             | \$13,993 | \$17,649                           | \$18,330 |

*Restricted Shares of Common Stock:*

The Company has granted restricted stock to certain employees that vest after a designated service period ranging from three to five years. The fair value of the restricted stock is determined based upon the number of shares granted and the quoted price of the Company's stock at the date of the grant. Expense recognized for the three months and nine months ended September 30, 2007 was \$0.4 million and \$1 million, respectively, as compared to \$0.2 million and \$0.6 million in the comparable prior year periods.

The following table summarizes restricted share activity for the nine months ended September 30, 2007.

| (shares in thousands)            | Number<br>of<br>Restricted<br>Shares | Weighted<br>Average<br>Fair Value |
|----------------------------------|--------------------------------------|-----------------------------------|
| Non-vested at December 31, 2006  | 169                                  | \$21.00                           |
| Granted                          | 83                                   | 34.22                             |
| Vested                           | (30)                                 | 14.48                             |
| Cancelled                        | (3)                                  | 29.21                             |
| Non-vested at September 30, 2007 | 219                                  | 26.83                             |

As of September 30, 2007, the total remaining unrecognized compensation cost related to restricted stock amounted to \$3.9 million, which will be amortized on a weighted-average basis over approximately 2.5 years.

*Restricted Stock Units:*

The Company's non-employee directors are required to defer at least 50 percent of their compensation. The deferred compensation is based upon the directors' election of the minimum 50 percent or a greater amount and is awarded as restricted stock units under the Company's Stock Incentive Plan with deemed dividends being reinvested. These restricted stock units vest immediately. For the third quarter and first nine months of 2007, the compensation expense relating to the directors deferred compensation was \$0.2 million and \$0.6 million, respectively, unchanged from the prior year periods. At September 30, 2007, there are approximately 178,000 restricted stock units outstanding under this program at a value of \$4.9 million.

**Table of Contents****Long-Term Incentive Plans***Equity-Classified Awards:*

The Company has a long term incentive plan for officers under which performance shares are awarded. These awards are classified as equity under SFAS 123R. The ultimate payment of the performance shares will be based 50 percent on the Company's stock performance as compared to the stock performance of a peer group and 50 percent on a return on capital employed versus a target percentage. Compensation expense for the stock performance portion of the plan is based on the fair value of the plan that is determined on the day the plan is established. The fair value is calculated using a Monte Carlo simulation model. Compensation expense for the return on capital employed portion of the plan is based on the probability of attaining the goal and is reviewed at the end of each reporting period. For the third quarter and first nine months of 2007, the Company recognized compensation expense of \$1 million and \$4.3 million, respectively, as compared to \$0.4 million and \$1.3 million in the prior year periods. The total compensation cost for these awards is being amortized over a three year period. As of September 30, 2007 the total remaining unrecognized compensation cost relating to this plan was \$4.5 million which will be amortized over the remaining requisite service period of 2.25 years. This amount may vary each reporting period based on changes in the probability of attaining the goal.

**4. Inventories**

Inventories are summarized as follows:

| (in millions)                    | At<br>September<br>30,<br>2007 | At<br>December<br>31,<br>2006 |
|----------------------------------|--------------------------------|-------------------------------|
| Finished and in process          | \$ 149                         | \$ 127                        |
| Raw materials                    | 172                            | 144                           |
| Manufacturing supplies and other | 59                             | 50                            |
| Total inventories                | \$ 380                         | \$ 321                        |

**5. Income Taxes**

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 is an interpretation of FASB Statement No. 109, *Accounting for Income Taxes*, and seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN 48 provides guidance on de-recognition, classification, interest and penalties, and accounting in interim periods and requires expanded disclosure with respect to uncertainty in income taxes.

The Company adopted FIN 48 as of the beginning of the Company's 2007 fiscal year. The cumulative effect of the adoption of FIN 48 was reflected as a reduction in the beginning balance of retained earnings of \$1 million. As of January 1, 2007, the gross amount of the liability related to unrecognized tax benefits was \$16 million. As of September 30, 2007, the

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amount remained at \$16 million. Of this total, \$12 million represents the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate in future periods.

The Company accounts for interest and penalties related to income tax matters in income tax expense. The Company had accrued interest and penalties of \$4 million as of January 1, 2007 and September 30, 2007.

The Company is subject to US federal income tax as well as income tax in multiple state and non-US jurisdictions. The Internal Revenue Service ( IRS ) has concluded its audit of all years through 2004. The Company remains subject to potential examination in Canada for the years 2000 to 2006, Brazil for the years 2001 to 2006 and in Mexico for the years 2002 to 2006.

In the second quarter of 2007, the Company made a deposit of approximately \$17 million to the Canadian tax authorities relating to an ongoing audit examination. The Company has settled \$2 million of the claims and is in the process of appealing the remaining items from the audit. It is expected that the appeal process will not be concluded within the next twelve months. The Company believes that it has adequately provided for the most likely outcome of the appeal process.

In the third quarter of 2007, the Company closed the audit examination of a foreign subsidiary and recognized \$2 million of previously unrecognized tax benefits.

It is reasonably possible that the total amount of unrecognized tax benefits will increase or decrease within twelve months of January 1, 2007. The Company currently estimates that such increases or decreases will not be significant.

## **6. Debt**

On April 10, 2007, the Company sold \$200 million of 6.0 percent Senior Notes due April 15, 2017 and \$100 million of 6.625 percent Senior Notes due April 15, 2037. Interest on the notes is required to be paid semi-annually on April 15th and October 15th. The first interest payments were made on October 15, 2007 as required. The notes are unsecured obligations of the Company and rank equally with the Company's other unsecured, senior indebtedness. The Company may redeem the notes, in whole at any time or in part from time to time, at its option at a redemption price equal to the greater of: (i) 100 percent of the principal amount of the notes to be redeemed; and (ii) 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 as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the applicable Indenture), plus, in the case of the 2017 notes, 25 basis points and plus, in the case of the 2037 notes, 30 basis points, plus, in each case, accrued interest thereon to the date of redemption. The net proceeds from the sale of the notes were used by the Company to repay its \$255 million 8.25 percent Senior Notes at the maturity date of July 15, 2007 (including accrued interest thereon), and for general corporate purposes.

In 2006, the Company had entered into Treasury Lock agreements (the T-Locks ) that fixed the benchmark component of the interest rate to be established for the \$200 million 6.0 percent Senior Notes due April 15, 2017. The T-Locks were accounted for as cash flow hedges. The T-Locks expired on March 21, 2007 and the Company paid approximately \$5 million, representing the losses on the T-Locks, to settle the agreements. The \$5 million loss is

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included in accumulated other comprehensive loss and is being amortized to financing costs over the ten-year term of the \$200 million 6.0 percent Senior Notes due April 15, 2017.

In conjunction with our plan to refinance our 8.45 percent \$200 million senior notes due August 2009, we intend to issue long-term, fixed rate debt in 2009. In September 2007, in order to manage our exposure to variability in the benchmark interest rate on which the fixed interest rate of the planned debt will be based, we entered into a Treasury Lock agreement (the "T-Lock") with respect to \$50 million of such future indebtedness. The T-Lock is designated as a hedge of the variability in cash flows associated with future interest payments caused by market fluctuations in the benchmark interest rate between the time the T-Lock was entered and the time the debt is issued. It is accounted for as a cash flow hedge. Accordingly, changes in the fair value of the T-Lock are recorded to other comprehensive income (loss) until the consummation of the planned debt offering, at which time any realized gain (loss) will be amortized over the life of the debt.

In February 2007, Corn Products Brasil - Ingredientes Industriais Ltda. ("Corn Products Brazil"), the Company's wholly-owned Brazilian subsidiary, entered into two floating rate government export loans totaling \$23 million to finance the acquisition of the remaining ownership interest in GETEC. The notes are local currency denominated obligations that mature in January 2010.

### **7. Redeemable Common Stock**

The Company has an agreement (the "put option") with certain common stockholders (collectively the "holder") that provides the holder with the right to require the Company to repurchase the underlying common shares for cash at a price equal to the average of the closing per share market price of the Company's common stock for the 20 trading days immediately preceding the date that the holder exercises the put option. The put option is exercisable at any time until January 2010 when it expires. The holder can also elect to sell the common shares on the open market, subject to certain restrictions. The common shares subject to the put option are classified as redeemable common stock in the Company's Condensed Consolidated Balance Sheets.

During the first nine months of 2007 the holder sold 727,000 shares of redeemable common stock in open market transactions, thereby reducing the number of redeemable common shares to 500,000 shares at September 30, 2007. The carrying value of the redeemable common stock was \$23 million at September 30, 2007 and \$44 million at December 31, 2006, based on the average of the closing per share market prices of the Company's common stock for the 20 trading days immediately preceding the respective balance sheet dates (\$45.52 per share and \$35.86 per share at September 30, 2007 and December 31, 2006, respectively). Adjustments to mark the redeemable common stock to market value are recorded directly against additional paid-in capital in the stockholders' equity section of the Company's Condensed Consolidated Balance Sheets.

**Table of Contents****8. Segment Information**

The Company operates in one business segment, corn refining, and is managed on a geographic regional basis. Its North America operations include corn-refining businesses in the United States, Canada and Mexico. The Company's South America operations include corn-refining businesses in Brazil, Colombia, Ecuador, Peru and the Southern Cone of South America, which includes Argentina, Chile and Uruguay. The Company's Asia/Africa operations include corn-refining businesses in Korea, Pakistan, Malaysia, Kenya, and China, and a tapioca root processing operation in Thailand.

| (in millions)    | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |           |
|------------------|-------------------------------------|---------|------------------------------------|-----------|
|                  | 2007                                | 2006    | 2007                               | 2006      |
| Net Sales        |                                     |         |                                    |           |
| North America    | \$542.2                             | \$410.8 | \$1,543.7                          | \$1,184.9 |
| South America    | 229.9                               | 169.6   | 648.8                              | 476.2     |
| Asia/Africa      | 105.3                               | 93.8    | 303.8                              | 272.9     |
| Total            | \$877.4                             | \$674.2 | \$2,496.3                          | \$1,934.0 |
| Operating Income |                                     |         |                                    |           |
| North America    | \$ 58.3                             | \$ 37.5 | \$ 187.8                           | \$ 98.8   |
| South America    | 26.2                                | 21.8    | 77.1                               | 58.1      |
| Asia/Africa      | 9.9                                 | 14.7    | 36.0                               | 42.7      |
| Corporate        | (6.4)                               | (9.5)   | (34.5)                             | (31.8)    |
| Total            | \$ 88.0                             | \$ 64.5 | \$ 266.4                           | \$ 167.8  |

| (in millions) | At<br>September 30,<br>2007 |       | At<br>December 31,<br>2006 |       |
|---------------|-----------------------------|-------|----------------------------|-------|
|               |                             |       |                            |       |
| Total Assets  |                             |       |                            |       |
| North America | \$                          | 1,645 | \$                         | 1,539 |
| South America |                             | 810   |                            | 667   |
| Asia/Africa   |                             | 497   |                            | 456   |
| Total         | \$                          | 2,952 | \$                         | 2,662 |

**Table of Contents****9. Net Periodic Benefit Cost**

For detailed information about the Company's pension and postretirement benefit plans, please refer to Note 10 of the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

The following sets forth the components of net periodic benefit cost of the US and non-US defined benefit pension plans for the three and nine months ended September 30, 2007 and 2006:

| (in millions)                      | Three Months<br>Ended September 30, |        |              |        | Nine Months<br>Ended September 30, |        |              |        |
|------------------------------------|-------------------------------------|--------|--------------|--------|------------------------------------|--------|--------------|--------|
|                                    | US Plans                            |        | Non-US Plans |        | US Plans                           |        | Non-US Plans |        |
|                                    | 2007                                | 2006   | 2007         | 2006   | 2007                               | 2006   | 2007         | 2006   |
|                                    |                                     |        |              |        |                                    |        |              |        |
| Service cost                       | \$ 0.7                              | \$ 0.7 | \$ 0.7       | \$ 0.7 | \$ 2.1                             | \$ 2.1 | \$ 2.1       | \$ 2.0 |
| Interest cost                      | 1.0                                 | 0.9    | 1.8          | 1.5    | 3.0                                | 2.8    | 5.3          | 4.4    |
| Expected return on plan assets     | (1.0)                               | (1.0)  | (2.0)        | (1.7)  | (3.0)                              | (3.1)  | (6.0)        | (5.1)  |
| Amortization of prior service cost |                                     | 0.1    |              |        |                                    | 0.3    |              |        |
| Amortization of net actuarial loss | 0.2                                 | 0.1    | 0.4          | 0.3    | 0.5                                | 0.3    | 1.3          | 1.0    |
| Net pension cost                   | \$ 0.9                              | \$ 0.8 | \$ 0.9       | \$ 0.8 | \$ 2.6                             | \$ 2.4 | \$ 2.7       | \$ 2.3 |

The Company expects to make cash contributions of \$7 million to its Canadian pension plans during 2007, of which \$6 million had been made through September 30, 2007. The Company has made cash contributions of \$3 million to its US plans through September 30, 2007.

The following sets forth the components of net postretirement benefit cost for the three and nine months ended September 30, 2007 and 2006:

| (in millions)                         | Three Months<br>Ended September 30, |        | Nine Months<br>Ended September 30, |        |
|---------------------------------------|-------------------------------------|--------|------------------------------------|--------|
|                                       | 2007                                | 2006   | 2007                               | 2006   |
| Service cost                          | \$0.4                               | \$ 0.4 | \$1.2                              | \$ 1.1 |
| Interest cost                         | 0.7                                 | 0.6    | 2.1                                | 1.7    |
| Amortization of prior service benefit |                                     | (0.1)  |                                    | (0.2)  |
| Amortization of net actuarial loss    |                                     | 0.1    | 0.1                                | 0.4    |
| Net postretirement benefit cost       | \$1.1                               | \$ 1.0 | \$3.4                              | \$ 3.0 |

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**ITEM 2**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Overview**

We are one of the world's largest corn refiners and a major supplier of high-quality food ingredients and industrial products derived from the wet milling and processing of corn and other starch-based materials. The corn refining industry is highly competitive. Many of our products are viewed as commodities that compete with virtually identical products manufactured by other companies in the industry. However, we have thirty manufacturing plants located throughout North America, South America and Asia/Africa and we manage and operate our businesses at a local level. We believe this approach provides us with a unique understanding of the cultures and product requirements in each of the geographic markets in which we operate, bringing added value to our customers. Our sweeteners are found in products such as baked goods, candies, chewing gum, dairy products and ice cream, soft drinks and beer. Our starches are a staple of the food, paper, textile and corrugating industries. Our co-products include refined corn oil, corn gluten feed, corn gluten meal and steepwater.

We achieved record highs for net sales, operating income, net income and diluted earnings per common share for the first nine months of 2007. This record performance was primarily driven by significantly higher sales and earnings in our North American and South American businesses. The results also included a \$0.05 gain associated with the Company's investment in the Chicago Board of Trade Holdings, Inc. upon its July 2007 merger with Chicago Mercantile Exchange Holdings, Inc., which created the CME Group Inc. ( "CME" ). This performance keeps us on track to deliver record full year 2007 results. We currently expect that full year 2007 diluted earnings per common share should increase in the range of 53 to 56 percent over the \$1.63 we earned in 2006, to \$2.50 to \$2.55 per diluted common share including the gain from the CME shares.

**Results of Operations**

**For The Three Months and Nine Months Ended September 30, 2007**

**With Comparatives for the Three Months and Nine Months Ended September 30, 2006**

**Net Income.** Net income for the quarter ended September 30, 2007 increased to \$51.1 million, or \$0.66 per diluted share, from \$37.0 million, or \$0.49 per diluted share, in the third quarter of 2006. Net income for the nine months ended September 30, 2007 increased to \$151.7 million, or \$1.98 per diluted share, from \$90.6 million, or \$1.20 per diluted share, in the prior year period. The increase in net income for the third quarter and nine months ended September 30, 2007 primarily reflects a significant increase in operating income driven by improved results in North America and South America. Additionally, we recognized a \$6 million pretax gain (\$4 million after-tax, or \$0.05 per diluted common share) in the third quarter of 2007 associated with our investment in the Chicago Board of Trade Holdings, Inc. ( "CBOT" ) upon the July 2007 merger of the CBOT with the Chicago Mercantile Exchange Holdings Inc. to form the CME Group Inc. (the "CME merger" ).

**Net Sales.** Third quarter net sales totaled \$877 million, up 30 percent from third quarter 2006 net sales of \$674 million. The increase reflects a 25 percent price/product mix improvement and a 5 percent benefit from foreign currency translation attributable to the weaker US dollar. Volume improved slightly. North American net sales for third quarter 2007 increased 32 percent to \$542 million, from \$411 million in the same period last year, reflecting a price/product mix improvement of 29 percent, volume growth of 1 percent and a 2 percent benefit from currency translation attributable to a stronger Canadian dollar. In South America,

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third quarter 2007 net sales grew 36 percent to \$230 million, from \$170 million in third quarter 2006. This increase reflects a 21 percent price/product mix improvement, a 13 percent benefit attributable to stronger South American currencies and volume growth of 2 percent. In Asia/Africa, third quarter 2007 net sales increased 12 percent to \$105 million, from \$94 million in the year-ago period, as a 15 percent price/product mix improvement and a 3 percent increase attributable to stronger local currencies more than offset a 6 percent volume decline. Operations from recent acquisitions, including our December 2006 acquisition of DEMSA and our February acquisition of SPI Polyols and GETEC, contributed approximately \$29 million of net sales in the third quarter of 2007.

Net sales for the nine months ended September 30, 2007 grew 29 percent to \$2.50 billion from \$1.93 billion a year ago. The increase reflects a 24 percent price/product mix improvement, 2 percent volume growth and a 3 percent benefit from foreign currency translation attributable to the weaker US dollar. In North America, net sales grew 30 percent to \$1.54 billion from \$1.18 billion a year ago, primarily reflecting price/product mix improvement. Slightly higher volume and currency translation contributed 1 percent to the sales increase in the region. In South America, net sales increased 36 percent to \$649 million from \$476 million in the prior year period. This increase reflects price/product mix improvement of 19 percent, volume growth of 8 percent and a 9 percent translation benefit related to stronger South American currencies. In Asia/Africa, net sales rose 11 percent to \$304 million, from \$273 million a year ago, as an 8 percent price/product mix improvement and a 4 percent increase attributable to stronger local currencies more than offset a 1 percent volume decline. Operations from recent acquisitions, including our December 2006 acquisition of DEMSA and our February acquisition of SPI Polyols and GETEC, contributed approximately \$77 million of net sales for the first nine months of 2007.

**Cost of Sales and Operating Expenses.** Cost of sales of \$736 million for third quarter 2007 was up 31 percent from \$562 million in the prior year period. Cost of sales for the first nine months of 2007 increased 26 percent to \$2.05 billion from \$1.62 billion a year ago. These increases principally reflect higher corn costs and increased sales volume. Our gross profit margin for the third quarter and first nine months of 2007 was 16.2 percent and 17.8 percent, respectively, compared to 16.6 percent and 16.0 percent last year.

Operating expenses for the third quarter and first nine months of 2007 increased to \$61.7 million and \$184.1 million, respectively, from \$49.9 million and \$147.1 million last year. These increases principally reflect higher compensation-related costs, operating expenses of acquired businesses and stronger foreign currencies. Operating expenses, as a percentage of net sales, were 7.0 percent and 7.4 percent for the third quarter and first nine months of 2007 respectively, down from 7.4 percent and 7.6 percent in the comparable prior year periods.

**Operating Income.** Third quarter 2007 operating income increased 36 percent to \$88.0 million from \$64.5 million a year ago, as earnings growth in North America and South America more than offset lower earnings in Asia/Africa. Additionally, a \$6 million gain from the CME merger included in other income contributed to the increase. North America operating income increased 55 percent to \$58.3 million from \$37.5 million a year ago, as earnings grew throughout the region driven principally by higher product selling prices and volume growth that more than offset increased corn costs. South America operating income of \$26.2 million for third quarter 2007 increased 20 percent from \$21.8 million in the prior year period, primarily reflecting earnings growth in Brazil. Asia/Africa operating income decreased 33 percent to \$9.9 million from \$14.7 million a year ago, as lower earnings in South Korea, where higher corn and ocean freight costs and a soft economy continued to pressure sales volumes and earnings, and to a lesser extent in Thailand, more than offset earnings growth in Pakistan.

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Operating income for the nine months ended September 30, 2007 increased 59 percent to \$266.4 million from \$167.8 million a year ago, as increased earnings in North America and South America more than offset a \$7 million decline in Asia/Africa. Additionally, the \$6 million gain from the CME merger contributed to the increase. North America operating income rose 90 percent to \$187.8 million from \$98.8 million a year ago, reflecting earnings growth throughout the region. South America operating income of \$77.1 million for the first nine months of 2007 increased 33 percent from \$58.1 million in the prior year period, as earnings growth in Brazil and, to a lesser extent, in the Andean region of South America, more than offset lower results in the Southern Cone of South America, where higher corn and energy costs have impacted profit margins. Asia/Africa operating income decreased 16 percent to \$36.0 million, from \$42.7 million a year ago, as lower earnings in South Korea and Thailand, more than offset earnings growth in Pakistan.

**Financing Costs-net.** Financing costs for the third quarter and first nine months of 2007 rose 52 percent and 58 percent, respectively, from the prior year periods. These increases primarily reflect increased borrowings, a reduction in capitalized interest and an increase in foreign currency transaction losses. An increase in interest income driven primarily by our investing of the proceeds from our \$300 million April debt issuance (see Note 6 of the notes to the condensed consolidated financial statements) partially offset the higher interest expense.

**Provision for Income Taxes.** Our effective income tax rate for the third quarter and first nine months of 2007 was 33.1 percent and 33.3 percent, respectively, as compared to 34.5 percent and 36.5 percent in the prior year periods. The rate reductions primarily reflect the effect of our anticipated income mix for full year 2007 as compared with 2006. The tax rates for the current year periods include \$2 million of previously unrecognized tax benefits.

**Minority Interest in Earnings.** The increase in minority interest for the third quarter and first nine months of 2007 primarily reflects earnings growth in Pakistan.

**Comprehensive Income.** We recorded comprehensive income of \$74 million for the third quarter of 2007, compared to comprehensive income of \$33 million in the same period last year. For the first nine months of 2007, we recorded comprehensive income of \$191 million, as compared with comprehensive income of \$100 million a year ago. These increases principally reflect our net income growth and currency translation benefits attributable to a weaker US dollar.

## **Liquidity and Capital Resources**

Cash provided by operating activities was \$149 million for the first nine months of 2007, as compared with \$121 million in the prior year period. The increase in operating cash flow was driven principally by our net income growth. Capital expenditures of \$105 million for the first nine months of 2007 are in line with our capital spending plan for the year, which is currently estimated to be in the range of \$175 million to \$200 million.

On February 12, 2007, we acquired the food business assets of SPI Polyols, a subsidiary of ABF North America Holdings, Inc., and the common shares of an SPI unit that owned the 50 percent of GETEC not previously held by us. See Note 2 of the notes to the condensed consolidated financial statements for additional information concerning this acquisition. We paid approximately \$66 million in cash to complete this acquisition, which was

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accounted for under the purchase method of accounting. Goodwill of approximately \$46 million was recorded. Effective with the acquisition, GETEC, which was previously accounted for as a non-controlled affiliate under the equity method, became a consolidated subsidiary of the Company. At December 31, 2006, our investment in GETEC was approximately \$28 million.

On April 10, 2007, we sold \$200 million of 6.0 percent Senior Notes due April 15, 2017 and \$100 million of 6.625 percent Senior Notes due April 15, 2037. Interest on the notes is required to be paid semi-annually on April 15th and October 15th. The first interest payments were made on October 15, 2007 as required. The notes are unsecured obligations of ours and rank equally with our other unsecured, senior indebtedness. We may redeem the notes, in whole at any time or in part from time to time, at our option. See Note 6 of the notes to the condensed consolidated financial statements for additional information concerning the notes. The net proceeds from the sale of the notes were used to repay our \$255 million 8.25 percent Senior Notes at the maturity date of July 15, 2007 (including accrued interest thereon), and for general corporate purposes.

We have a \$500 million senior, unsecured revolving credit facility consisting of a \$470 million US senior revolving credit facility and a \$30 million Canadian revolving credit facility (the "Revolving Credit Agreement"). At September 30, 2007, there were no borrowings outstanding under the Revolving Credit Agreement. In addition, we have a number of short-term credit facilities consisting of operating lines of credit. At September 30, 2007, we had total debt outstanding of \$620 million, compared to \$554 million at December 31, 2006. The debt includes \$200 million (face amount) of 8.45 percent senior notes due 2009, \$200 million (face amount) of 6.0 percent senior notes due 2017, \$100 million (face amount) of 6.625 percent senior notes due 2037 and \$121 million of consolidated subsidiary debt consisting of local country borrowings. Approximately \$85 million of the consolidated subsidiary debt represents short-term borrowings. The weighted average interest rate on our total indebtedness was approximately 7.6 percent for the first nine months of 2007, down from 7.7 percent in the comparable prior year period.

In 2006, we had entered into Treasury Lock agreements (the "T-Locks") that fixed the benchmark component of the interest rate to be established for our \$200 million 6.0 percent Senior Notes due April 15, 2017. The T-Locks were accounted for as cash flow hedges. The T-Locks expired on March 21, 2007 and we paid approximately \$5 million, representing the losses on the T-Locks, to settle the agreements. The \$5 million loss is included in accumulated other comprehensive loss and is being amortized to financing costs over the ten-year term of the \$200 million 6.0 percent Senior Notes due April 15, 2017. At December 31, 2006, the unrealized loss on the T-Locks approximated \$3 million.

In conjunction with our plan to refinance our 8.45 percent \$200 million senior notes due August 2009, we intend to issue long-term, fixed rate debt in 2009. In September 2007, in order to manage our exposure to variability in the benchmark interest rate on which the fixed interest rate of the planned debt will be based, we entered into a Treasury Lock agreement (the "T-Lock") with respect to \$50 million of such future indebtedness. The T-Lock is designated as a hedge of the variability in cash flows associated with future interest payments caused by market fluctuations in the benchmark interest rate between the time the T-lock was entered and the time the debt is issued. It is accounted for as a cash flow hedge. Accordingly, changes in the fair value of the T-Lock are recorded to other comprehensive income (loss) until the consummation of the planned debt offering, at which time any realized gain (loss) will be amortized over the life of the debt.

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In February 2007, Corn Products Brasil Ingredientes Industriais Ltda. ( Corn Products Brazil ), our wholly-owned Brazilian subsidiary, entered into two floating rate government export loans totaling \$23 million to finance the acquisition of the remaining ownership interest in GETEC. The notes are local currency denominated obligations that mature in January 2010.

During the first nine months of 2007 the holder of our redeemable common stock sold 727,000 shares of such common stock in open market transactions, thereby reducing the number of redeemable common shares to 500,000 shares at September 30, 2007. The carrying value of the redeemable common stock was \$23 million at September 30, 2007 and \$44 million at December 31, 2006, based on the average of the closing per share market prices of our common stock for the 20 trading days immediately preceding the respective balance sheet dates (\$45.52 per share and \$35.86 per share at September 30, 2007 and December 31, 2006, respectively). See Note 7 of the notes to the condensed consolidated financial statements for additional information.

On September 19, 2007, our board of directors declared a quarterly cash dividend of \$0.11 per share of common stock. This dividend was paid on October 25, 2007 to stockholders of record at the close of business on October 4, 2007.

In the second quarter of 2007, we made a deposit of approximately \$17 million to the Canadian tax authorities relating to an ongoing audit examination. We have settled \$2 million of the claims and are in the process of appealing the remaining items of the audit and it is expected that the appeal process will not be concluded within the next twelve months. We believe that we have adequately provided for the most likely outcome of the appeal process.

On July 1, 2007, Corn Products Brazil implemented a new global information system that will be installed on a worldwide basis over approximately a three-year period. This new global information system is intended to drive improved operational efficiency and financial performance in future years.

We expect that our operating cash flows and borrowing availability under our credit facilities will be more than sufficient to fund our anticipated capital expenditures, acquisitions, dividends and other investing and/or financing strategies for the foreseeable future.

*Contractual Obligations Update:*

Our 2006 Annual Report on Form 10-K contains a table that summarizes our known obligations to make future payments pursuant to certain contracts as of December 31, 2006. The table excludes our liability for uncertain tax positions including accrued interest and penalties, which totaled approximately \$16 million as of both January 1, 2007 and September 30, 2007, since we cannot predict with reasonable reliability the timing of cash settlements to the respective taxing authorities.

**Critical Accounting Policies and Estimates**

Our critical accounting policies and estimates are provided in the Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2006 Annual Report on Form 10-K. There have been no changes to our critical accounting policies and estimates during the nine months ended September 30, 2007.

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**New Accounting Standards**

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurements ( SFAS No. 157 ) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements but applies to other accounting pronouncements that require or permit fair value measurements. This statement is effective for fiscal periods beginning after November 15, 2007. We do not expect that the adoption of this statement will have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R) ( SFAS 158 ). Among other things, SFAS 158 requires companies to: (i) recognize in the balance sheet, a net liability or asset and an offsetting adjustment to accumulated other comprehensive income, to record the funded status of defined benefit pension and other post-retirement benefit plans; (ii) measure plan assets and obligations that determine its funded status as of the end of the company s fiscal year; and (iii) recognize in comprehensive income the changes in the funded status of a defined benefit pension and postretirement plan in the year in which the changes occur. As required, we adopted the recognition and disclosure provisions of SFAS 158 effective December 31, 2006 in our annual report on Form 10-K for the year then ended. The requirement to measure the plan assets and benefit obligations as of the year-end balance sheet date is effective for fiscal years ending after December 15, 2008. We do not expect that the eventual change to using a year-end balance sheet measurement date will have a material impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 allows entities the option to measure certain financial assets and liabilities at fair value at specified election dates. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. Subsequent unrealized gains and losses on items for which the fair value option has been elected are to be reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We do not expect that the adoption of this statement will have a material impact on our consolidated financial statements.

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**FORWARD-LOOKING STATEMENTS**

This Form 10-Q contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Company intends these forward looking statements to be covered by the safe harbor provisions for such statements. These statements include, among other things, any predictions regarding the Company's prospects or future financial condition, earnings, revenues, expenses or other financial items, any statements concerning the Company's prospects or future operation, including management's plans or strategies and objectives therefor and any assumptions underlying the foregoing. These statements can sometimes be identified by the use of forward looking words such as may, will, should, anticipate, believe, plan, project, estimate, expect, intend, continue, pro forma, forecast or other similar expressions, and negative thereof. All statements other than statements of historical facts in this report or referred to or incorporated by reference into this report are forward-looking statements. These statements are subject to certain inherent risks and uncertainties. Although we believe our expectations reflected in these forward-looking statements are based on reasonable assumptions, stockholders are cautioned that no assurance can be given that our expectations will prove correct. Actual results and developments may differ materially from the expectations conveyed in these statements, based on various factors, including fluctuations in worldwide markets for corn and other commodities and the associated risks of hedging against such fluctuations; fluctuations in aggregate industry supply and market demand; general political, economic, business, market and weather conditions in the various geographic regions and countries in which we manufacture and/or sell our products; fluctuations in the value of local currencies, energy costs and availability, freight and shipping costs, and changes in regulatory controls regarding quotas, tariffs, duties, taxes and income tax rates; operating difficulties; boiler reliability; our ability to effectively integrate acquired businesses; labor disputes; genetic and biotechnology issues; changing consumption preferences and trends; increased competitive and/or customer pressure in the corn-refining industry; the outbreak or continuation of serious communicable disease or hostilities including acts of terrorism; and stock market fluctuation and volatility. Our forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of the statement. If we do update or correct one or more of these statements, investors and others should not conclude that we will make additional updates or corrections. For a further description of these risks see Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2006 and subsequent reports on Forms 10-Q or 8-K.

**ITEM 3**

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

This information is set forth in our Annual Report on Form 10-K for the year ended December 31, 2006, and is incorporated herein by reference. Except for the items referenced below, there have been no material changes to our market risk during the nine months ended September 30, 2007.

As described in Note 6 of the notes to the condensed consolidated financial statements, on April 10, 2007, we sold \$200 million of 6.0 percent Senior Notes due April 15, 2017 and \$100 million of 6.625 percent Senior Notes due April 15, 2037. Interest on the notes is required to be paid semi-annually on April 15th and October 15th. The first interest payments were made on

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October 15, 2007 as required. The notes are unsecured obligations of ours and rank equally with our other unsecured, senior indebtedness. We may redeem the notes, in whole at any time or in part from time to time, at our option at a redemption price equal to the greater of: (i) 100 percent of the principal amount of the notes to be redeemed; and (ii) 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 as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the applicable Indenture), plus, in the case of the 2017 notes, 25 basis points and plus, in the case of the 2037 notes, 30 basis points, plus, in each case, accrued interest thereon to the date of redemption.

In 2006, we had entered into Treasury Lock agreements (the "T-Locks") that fixed the benchmark component of the interest rate to be established for our \$200 million 6.0 percent Senior Notes due April 15, 2017. The T-Locks were accounted for as cash flow hedges. The T-Locks expired on March 21, 2007 and we paid approximately \$5 million, representing the losses on the T-Locks, to settle the agreements. The \$5 million loss is included in accumulated other comprehensive loss and is being amortized to financing costs over the ten-year term of the \$200 million 6.0 percent Senior Notes due April 15, 2017.

In conjunction with our plan to refinance our 8.45 percent \$200 million senior notes due August 2009, we intend to issue long-term, fixed rate debt in 2009. In September 2007, in order to manage our exposure to variability in the benchmark interest rate on which the fixed interest rate of the planned debt will be based, we entered into a Treasury Lock agreement (the "T-Lock") with respect to \$50 million of such future indebtedness. The T-Lock is designated as a hedge of the variability in cash flows associated with future interest payments caused by market fluctuations in the benchmark interest rate between the time the T-Lock was entered and the time the debt is issued. It is accounted for as a cash flow hedge. Accordingly, changes in the fair value of the T-Lock are recorded to other comprehensive income (loss) until the consummation of the planned debt offering, at which time any realized gain (loss) will be amortized over the life of the debt.

In February 2007, Corn Products Brazil, our wholly-owned Brazilian subsidiary, entered into two floating rate government export loans totaling \$23 million to finance the acquisition of the remaining ownership interest in GETEC. The notes are local currency denominated obligations that mature in January 2010.

## **ITEM 4**

### **CONTROLS AND PROCEDURES**

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures as of September 30, 2007. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have determined that such controls and procedures are effective to provide reasonable assurance that information concerning the Company, including its consolidated subsidiaries, required to be disclosed in reports it files or submits under the Securities Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities Exchange Commission and accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure. There have been no changes in our internal controls over financial reporting that were identified during

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the evaluation that occurred during the fiscal quarter that ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting,

During the quarter ended September 30, 2007, we implemented a new information system at our Brazilian operations. This resulted in a number of controls being enhanced, such as certain manual processes being replaced with automated processing and system integrated account posting. In addition, user access controls and segregation of duties have been improved.

**Table of Contents****PART II OTHER INFORMATION****ITEM 2****UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Issuer Purchase of Equity Securities:

|                       |               | Total     | Average   | Total Number | Maximum       |
|-----------------------|---------------|-----------|-----------|--------------|---------------|
|                       |               | Number    | Price     | of           | Number        |
|                       |               | Of        | Paid      | Shares       | (or           |
|                       |               | Shares    | Per Share | Purchased    | Approximate   |
|                       |               | Purchased |           | as part of   | Dollar Value) |
|                       |               |           |           | Publicly     | of            |
|                       |               |           |           | Announced    | Shares that   |
|                       |               |           |           | Plans        | may           |
|                       |               |           |           | or Programs  | yet be        |
|                       |               |           |           |              | Purchased     |
|                       |               |           |           |              | Under the     |
|                       |               |           |           |              | Plans or      |
|                       |               |           |           |              | Programs      |
| (shares in thousands) |               |           |           |              |               |
| July 1                | July 31, 2007 |           |           |              | 1,233 shares  |
| Aug 1                 | Aug 31, 2007  | 75        | 39.73     | 75           | 1,158 shares  |
| Sept 1                | Sept 30, 2007 |           |           |              | 1,158 shares  |
| Total                 |               | 75        |           | 75           |               |

The Company has a stock repurchase program, which runs through February 28, 2010, that permits the Company to repurchase up to 4 million shares of its outstanding common stock. As of September 30, 2007, the Company had repurchased 2.84 million shares under the program, leaving 1.16 million shares available for repurchase.

**ITEM 6****EXHIBITS**

## a) Exhibits

Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index hereto.  
All other items hereunder are omitted because either such item is inapplicable or the response is negative.

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**SIGNATURES**

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 thereunto duly authorized.

**CORN PRODUCTS INTERNATIONAL, INC.**

DATE: November 6, 2007

By /s/ Cheryl K. Beebe  
Cheryl K. Beebe  
Vice President and Chief Financial Officer  
Duly Authorized Officer and Principal Financial  
Officer

DATE: November 6, 2007

By /s/ Robin A. Kornmeyer  
Robin A. Kornmeyer  
Vice President and Controller  
Duly Authorized Officer and Principal Accounting  
Officer

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**EXHIBIT INDEX**

| <b>Number</b> | <b>Description of Exhibit</b>                                                                                                               |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1          | The Corn Products International, Inc. Stock Incentive Plan, as effective September 18, 2007                                                 |
| 10.7          | Supplemental Executive Retirement Plan, as effective September 18, 2007                                                                     |
| 10.10         | Annual Incentive Plan, as effective September 18, 2007                                                                                      |
| 11            | Statement re: computation of earnings per share                                                                                             |
| 31.1          | CEO Section 302 Certification Pursuant to the Sarbanes-Oxley Act of 2002                                                                    |
| 31.2          | CFO Section 302 Certification Pursuant to the Sarbanes-Oxley Act of 2002                                                                    |
| 32.1          | CEO Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as created by the Sarbanes-Oxley Act of 2002 |
| 32.2          | CFO Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as created by the Sarbanes-Oxley Act of 2002 |