

**FINANCIAL INFORMATION**  
**July 23, 2009**

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During 2007 and first quarter 2008, the company took strategic actions in its Performance Polymers segment for its underperforming polyethylene terephthalate ("PET") manufacturing facilities outside the United States. During second quarter 2007, the company sold its PET manufacturing facility in Spain. In first quarter 2008, the company sold its PET polymers and purified terephthalic acid ("PTA") production facilities in the Netherlands and its PET production facility in the United Kingdom and the related assets and businesses. Because the company exited the PET business in the European region, results from sales of PET products manufactured at the Spain, the Netherlands, and the United Kingdom facilities, including impairments and restructuring charges of those operations, and gains and losses from disposal of those assets and businesses, are presented as discontinued operations and are therefore not included in results from continuing operations for the company or the Performance Polymers segment under generally accepted accounting principles.

**TABLE 1 – STATEMENTS OF EARNINGS**

	Second Quarter		First Six Months	
	2009	2008	2009	2008
(Dollars in millions, except per share amounts)				
Sales	\$ 1,253	\$ 1,834	\$ 2,382	\$ 3,561
Cost of sales	993	1,513	1,943	2,903
Gross profit	260	321	439	658
Selling, general and administrative expenses	98	107	192	217
Research and development expenses	34	39	68	81
Asset impairments and restructuring charges, net	(3)	3	23	20
Operating earnings	131	172	156	340
Net interest expense	20	18	39	34
Other charges (income), net	5	1	9	--
Earnings from continuing operations before income taxes	106	153	108	306
Provision for income taxes from continuing operations	41	38	41	76
Earnings from continuing operations	65	115	67	230
Earnings from disposal of discontinued operations, net of tax	--	--	--	18
Net earnings	\$ 65	\$ 115	\$ 67	\$ 248
Basic earnings per share				
Earnings from continuing operations	\$ 0.89	\$ 1.51	\$ 0.92	\$ 2.98
Earnings from discontinued operations	--	--	--	0.23
Basic earnings per share	\$ 0.89	\$ 1.51	\$ 0.92	\$ 3.21
Diluted earnings per share				
Earnings from continuing operations	\$ 0.89	\$ 1.48	\$ 0.91	\$ 2.94
Earnings from discontinued operations	--	--	--	0.22
Diluted earnings per share	\$ 0.89	\$ 1.48	\$ 0.91	\$ 3.16
Shares (in millions) outstanding at end of period	72.7	76.4	72.7	76.4
Shares (in millions) used for earnings per share calculation				
Basic	72.5	76.1	72.5	77.1
Diluted	73.1	77.4	73.0	78.3

**TABLE 2A – SEGMENT SALES INFORMATION**

(Dollars in millions)	Second Quarter		First Six Months	
	2009	2008	2009	2008
Sales by Segment				
Coatings, Adhesives, Specialty Polymers, and Inks	\$ 302	\$ 414	\$ 552	\$ 803
Fibers	263	260	522	514
Performance Chemicals and Intermediates	302	618	588	1,174
Performance Polymers	199	289	376	593
Specialty Plastics	187	253	344	477
Total Eastman Chemical Company	\$ <u>1,253</u>	\$ <u>1,834</u>	\$ <u>2,382</u>	\$ <u>3,561</u>

**TABLE 2B – SALES REVENUE CHANGE**

	Second Quarter 2009 Compared to Second Quarter 2008				
	Change in Sales Revenue Due To				
	Revenue % Change	Volume Effect	Price Effect	Product Mix Effect	Exchange Rate Effect
Coatings, Adhesives, Specialty Polymers, and Inks	(27) %	(18) %	(6) %	(2) %	(1) %
Fibers	1 %	(8) %	9 %	-- %	-- %
Performance Chemicals and Intermediates <sup>(1)</sup>	(51) %	(32) %	(20) %	1 %	-- %
Performance Polymers <sup>(2)</sup>	(31) %	(9) %	(24) %	2 %	-- %
Specialty Plastics	(26) %	(16) %	(7) %	(3) %	-- %
Total Eastman Chemical Company	<u>(32) %</u>	<u>(20) %</u>	<u>(12) %</u>	<u>-- %</u>	<u>-- %</u>
	First Six Months 2009 Compared to First Six Months 2008				
	Change in Sales Revenue Due To				
	Revenue % Change	Volume Effect	Price Effect	Product Mix Effect	Exchange Rate Effect
Coatings, Adhesives, Specialty Polymers, and Inks	(31) %	(24) %	(3) %	(4) %	-- %
Fibers	2 %	(9) %	10 %	1 %	-- %
Performance Chemicals and Intermediates <sup>(1)</sup>	(50) %	(31) %	(20) %	1 %	-- %
Performance Polymers <sup>(2)</sup>	(37) %	(14) %	(24) %	1 %	-- %
Specialty Plastics	(28) %	(20) %	(5) %	(3) %	-- %
Total Eastman Chemical Company	<u>(33) %</u>	<u>(22) %</u>	<u>(10) %</u>	<u>(1) %</u>	<u>-- %</u>

<sup>(1)</sup> Included in 2009 and 2008 sales revenue are contract ethylene sales under the transition supply agreement related to the divestiture of the polyethylene ("PE") businesses. Refer to Table 4 for more information.

<sup>(2)</sup> Sales revenue in 2008 included contract polymer intermediates sales under the transition supply agreement related to the divestiture of the PET manufacturing facilities and related businesses in Mexico and Argentina in fourth quarter 2007. Refer to Table 4 for more information.

**TABLE 2C – SALES BY REGION**

(Dollars in millions)	Second Quarter		First Six Months	
	2009	2008	2009	2008
Sales by Region				
United States and Canada <sup>(1)</sup>	\$ 688	\$ 1,112	\$ 1,359	\$ 2,163
Asia Pacific	277	334	487	612
Europe, Middle East, and Africa	207	271	385	526
Latin America <sup>(2)</sup>	81	117	151	260
	<u>\$ 1,253</u>	<u>\$ 1,834</u>	<u>\$ 2,382</u>	<u>\$ 3,561</u>

<sup>(1)</sup> Included in 2009 and 2008 sales revenue are contract ethylene sales under the transition supply agreement related to the divestiture of the PE businesses. Refer to Table 4 for more information.

<sup>(2)</sup> Included in 2008 sales revenue are contract polymer intermediates sales under the transition supply agreement related to the divestiture of the Mexican and Argentine businesses. Refer to Table 4 for more information.

**TABLE 2D – PERCENTAGE GROWTH IN SALES VOLUME BY REGION**

	Second Quarter	First Six Months
Regional sales volume growth		
United States and Canada <sup>(1)</sup>	(24) %	(24) %
Asia Pacific	(4) %	(13) %
Europe, Middle East, and Africa	(21) %	(23) %
Latin America <sup>(2)</sup>	(19) %	(37) %

<sup>(1)</sup> Included in 2009 and 2008 sales revenue are contract ethylene sales under the transition supply agreement related to the divestiture of the PE businesses. Refer to Table 4 for more information.

<sup>(2)</sup> Included in 2008 sales revenue are contract polymer intermediates sales under the transition supply agreement related to the divestiture of the Mexican and Argentine businesses. Refer to Table 4 for more information.

**TABLE 3 - OPERATING EARNINGS (LOSS), ACCELERATED DEPRECIATION COSTS, AND ASSET IMPAIRMENTS AND RESTRUCTURING CHARGES, NET**

(Dollars in millions)	Second Quarter		First Six Months	
	2009	2008	2009	2008
<b>Operating Earnings (Loss) by Segment and Items</b>				
Coatings, Adhesives, Specialty Polymers, and Inks				
Operating earnings	\$ 50	\$ 53	\$ 64	\$ 112
Asset impairments and restructuring charges, net	(2)	(2)	5	(2)
Operating earnings excluding items	<u>48</u>	<u>51</u>	<u>69</u>	<u>110</u>
Fibers				
Operating earnings	74	62	143	130
Asset impairments and restructuring charges, net	--	--	4	--
Operating earnings excluding items	<u>74</u>	<u>62</u>	<u>147</u>	<u>130</u>
Performance Chemicals and Intermediates				
Operating earnings	5	54	2	98
Accelerated depreciation costs included in costs of goods sold	--	1	--	2
Asset impairments and restructuring charges, net	--	3	6	19
Operating earnings excluding items	<u>5</u>	<u>58</u>	<u>8</u>	<u>119</u>
Performance Polymers				
Operating earnings (loss)	3	2	(22)	(4)
Accelerated depreciation costs included in costs of goods sold	--	2	--	3
Asset impairments and restructuring charges, net	--	2	4	3
Operating earnings (loss) excluding items	<u>3</u>	<u>6</u>	<u>(18)</u>	<u>2</u>
Specialty Plastics				
Operating earnings (loss)	8	13	(10)	30
Asset impairments and restructuring charges, net	(1)	--	4	--
Operating earnings (loss) excluding items	<u>7</u>	<u>13</u>	<u>(6)</u>	<u>30</u>
<b>Total Operating Earnings by Segment and Items</b>				
Total operating earnings	140	184	177	366
Total accelerated depreciation costs included in costs of goods sold	--	3	--	5
Total asset impairments and restructuring charges, net	(3)	3	23	20
Total operating earnings excluding items	<u>137</u>	<u>190</u>	<u>200</u>	<u>391</u>
Other <sup>(1)</sup>				
Operating loss	(9)	(12)	(21)	(26)
<b>Total Eastman Chemical Company</b>				
Total operating earnings	\$ 131	\$ 172	\$ 156	\$ 340
Total accelerated depreciation costs included in costs of goods sold	--	3	--	5
Total asset impairments and restructuring charges, net	(3)	3	23	20
Total operating earnings excluding items	<u>\$ 128</u>	<u>\$ 178</u>	<u>\$ 179</u>	<u>\$ 365</u>

<sup>(1)</sup> Expenses not identifiable to an operating segment are not included in segment operating results and are shown as "other" operating losses.

**TABLE 4 – EASTMAN CHEMICAL COMPANY DETAIL OF SALES REVENUE**

(Dollars in millions)	<u>First Quarter 2009</u>	<u>Second Quarter 2009</u>			
Sales Revenue	\$ 1,129	\$ 1,253			
Less: Performance Chemicals and Intermediates – contract ethylene sales <sup>(1)</sup>	<u>17</u>	<u>1</u>			
Sales revenue excluding listed items	<u>\$ 1,112</u>	<u>\$ 1,252</u>			

  

(Dollars in millions)	<u>First Quarter 2008</u>	<u>Second Quarter 2008</u>	<u>Third Quarter 2008</u>	<u>Fourth Quarter 2008</u>	<u>Twelve Months 2008</u>
Sales Revenue	\$ 1,727	\$ 1,834	\$ 1,819	\$ 1,346	\$ 6,726
Less: Performance Chemicals and Intermediates – contract ethylene sales <sup>(1)</sup>	92	102	89	31	314
Performance Polymers – contract polymer intermediates sales <sup>(2)</sup>	<u>56</u>	<u>26</u>	<u>35</u>	<u>21</u>	<u>138</u>
Sales revenue excluding listed items	<u>\$ 1,579</u>	<u>\$ 1,706</u>	<u>\$ 1,695</u>	<u>\$ 1,294</u>	<u>\$ 6,274</u>

<sup>(1)</sup> Sales revenue for 2009 and 2008 included contract ethylene sales under the transition supply agreement related to the divestiture of the PE businesses in fourth quarter 2006.

<sup>(2)</sup> Sales revenue for 2008 included contract polymer intermediates sales under the transition supply agreement related to the divestiture of the PET manufacturing facilities and related businesses in Mexico and Argentina in fourth quarter 2007.

**TABLE 5 – OPERATING EARNINGS, EARNINGS, AND EARNINGS PER SHARE FROM CONTINUING OPERATIONS RECONCILIATION****EARNINGS PER DILUTED SHARE EXCLUDING CERTAIN ITEMS**

		<b>Second Quarter 2009</b>			
(Dollars in millions)		<u>Operating Earnings</u>	<u>Before Tax</u>	<u>After Tax</u>	<u>Per Diluted Share</u>
<b>As reported</b>		\$ 131	\$ 106	\$ 65	\$ 0.89
<b>Certain Items:</b>					
Asset impairments and restructuring charges, net		(3)	(3)	(2)	(0.03)
Excluding certain items		<u>\$ 128</u>	<u>\$ 103</u>	<u>\$ 63</u>	<u>\$ 0.86</u>
		<b>Second Quarter 2008</b>			
(Dollars in millions)		<u>Operating Earnings</u>	<u>Before Tax</u>	<u>After Tax</u>	<u>Per Diluted Share</u>
<b>As reported</b>		\$ 172	\$ 153	\$ 115	\$ 1.48
<b>Certain Items:</b>					
Accelerated depreciation costs included in costs of goods sold		3	3	2	0.03
Asset impairments and restructuring charges, net		3	3	2	0.02
Excluding certain items		<u>\$ 178</u>	<u>\$ 159</u>	<u>\$ 119</u>	<u>\$ 1.53</u>

[Table 5 continued next page]

**TABLE 5 – OPERATING EARNINGS, EARNINGS, AND EARNINGS PER SHARE FROM CONTINUING OPERATIONS RECONCILIATION (continued)****EARNINGS PER DILUTED SHARE FROM CONTINUING OPERATIONS EXCLUDING CERTAIN ITEMS**

		<b>First Six Months 2009</b>			
		<b>Earnings from Continuing Operations</b>			
(Dollars in millions)	<b>Operating Earnings</b>	<b>Before Tax</b>	<b>After Tax</b>	<b>Per Diluted Share</b>	
<b>As reported</b>	\$ 156	\$ 108	\$ 67	\$ 0.91	
<b>Certain Items:</b>					
Asset impairments and restructuring charges, net	23	23	14	0.20	
Excluding certain items	<u>\$ 179</u>	<u>\$ 131</u>	<u>\$ 81</u>	<u>\$ 1.11</u>	
		<b>First Six Months 2008</b>			
		<b>Earnings from Continuing Operations</b>			
(Dollars in millions)	<b>Operating Earnings</b>	<b>Before Tax</b>	<b>After Tax</b>	<b>Per Diluted Share</b>	
<b>As reported</b>	\$ 340	\$ 306	\$ 230	\$ 2.94	
<b>Certain Items:</b>					
Accelerated depreciation costs included in costs of goods sold	5	5	3	0.04	
Asset impairments and restructuring charges, net	20	20	14	0.18	
Net deferred tax benefits related to the previous divestiture of businesses	--	--	(11)	(0.14)	
Excluding certain items	<u>\$ 365</u>	<u>\$ 331</u>	<u>\$ 236</u>	<u>\$ 3.02</u>	

**TABLE 6 – STATEMENTS OF CASH FLOWS**

(Dollars in millions)	Second Quarter		First Six Months	
	2009	2008	2009	2008
Cash flows from operating activities				
Net earnings	\$ 65	\$ 115	\$ 67	\$ 248
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:				
Depreciation and amortization	67	67	134	132
Asset impairments charges	--	--	--	1
Gain on sale of assets	--	(6)	--	(13)
Provision (benefit) for deferred income taxes	153	(3)	140	(59)
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:				
(Increase) decrease in trade receivables	(57)	(48)	(52)	(88)
(Increase) decrease in inventories	121	1	191	(115)
Increase (decrease) in trade payables	(38)	57	(55)	10
Increase (decrease) in liabilities for employee benefits and incentive pay	33	32	(22)	(29)
Other items, net	(89)	(83)	(66)	(8)
Net cash provided by operating activities	<u>255</u>	<u>132</u>	<u>337</u>	<u>79</u>
Cash flows from investing activities				
Additions to properties and equipment	(94)	(146)	(204)	(278)
Proceeds from sale of assets	1	6	25	329
Acquisitions of joint ventures	--	(32)	--	(32)
Investments in joint ventures	--	--	--	(6)
Additions to capitalized software	(2)	(3)	(4)	(6)
Other items, net	(23)	(1)	(43)	(1)
Net cash provided by (used in) investing activities	<u>(118)</u>	<u>(176)</u>	<u>( 226)</u>	<u>6</u>
Cash flows from financing activities				
Net increase in commercial paper, credit facility and other borrowings	3	15	9	63
Repayment of borrowings	(2)	(175)	(2)	(175)
Dividends paid to stockholders	(32)	(34)	(64)	(69)
Treasury stock purchases	--	(25)	--	(270)
Proceeds from stock option exercises and other items	4	32	9	39
Net cash used in financing activities	<u>(27)</u>	<u>(187)</u>	<u>(48)</u>	<u>( 412)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>--</u>	<u>--</u>	<u>--</u>	<u>1</u>
Net change in cash and cash equivalents	110	(231)	63	(326)
Cash and cash equivalents at beginning of period	<u>340</u>	<u>793</u>	<u>387</u>	<u>888</u>
Cash and cash equivalents at end of period	<u>\$ 450</u>	<u>\$ 562</u>	<u>\$ 450</u>	<u>\$ 562</u>

**TABLE 7 – SELECTED BALANCE SHEET ITEMS**

(Dollars in millions)	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Current Assets	\$ 1,405	\$ 1,423
Net Properties and Equipment	3,272	3,198
Other Assets	<u>679</u>	<u>660</u>
Total Assets	<u>\$ 5,356</u>	<u>\$ 5,281</u>
Payables and Other Current Liabilities	\$ 706	\$ 819
Short-term Borrowings	11	13
Long-term Borrowings	1,440	1,442
Other Liabilities	1,624	1,454
Stockholders' Equity	<u>1,575</u>	<u>1,553</u>
Total Liabilities and Stockholders' Equity	<u>\$ 5,356</u>	<u>\$ 5,281</u>

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