

FINANCIAL INFORMATION
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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 in the first nine months of 2008 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

	Third Quarter		First Nine Months	
	2009	2008	2009	2008
(Dollars in millions, except per share amounts)				
Sales	\$ 1,337	\$ 1,819	\$ 3,719	\$ 5,380
Cost of sales	1,009	1,497	2,952	4,400
Gross profit	328	322	767	980
Selling, general and administrative expenses	104	107	296	324
Research and development expenses	33	39	101	120
Asset impairments and restructuring charges, net	--	2	23	22
Operating earnings	191	174	347	514
Net interest expense	19	19	58	53
Other charges (income), net	2	7	11	7
Earnings from continuing operations before income taxes	170	148	278	454
Provision for income taxes from continuing operations	69	48	110	124
Earnings from continuing operations	101	100	168	330
Earnings from disposal of discontinued operations, net of tax	--	--	--	18
Net earnings	\$ 101	\$ 100	\$ 168	\$ 348
Basic earnings per share				
Earnings from continuing operations	\$ 1.40	\$ 1.35	\$ 2.31	\$ 4.34
Earnings from discontinued operations	--	--	--	0.23
Basic earnings per share	\$ 1.40	\$ 1.35	\$ 2.31	\$ 4.57
Diluted earnings per share				
Earnings from continuing operations	\$ 1.38	\$ 1.33	\$ 2.29	\$ 4.27
Earnings from discontinued operations	--	--	--	0.23
Diluted earnings per share	\$ 1.38	\$ 1.33	\$ 2.29	\$ 4.50
Shares (in millions) outstanding at end of period	72.7	72.5	72.7	72.5
Shares (in millions) used for earnings per share calculation				
Basic	72.6	74.2	72.5	76.1
Diluted	73.5	75.1	73.3	77.2

TABLE 2A – SEGMENT SALES INFORMATION

(Dollars in millions)	Third Quarter		First Nine Months	
	2009	2008	2009	2008
Sales by Segment				
Coatings, Adhesives, Specialty Polymers, and Inks	\$ 338	\$ 410	\$ 890	\$ 1,213
Fibers	257	269	779	783
Performance Chemicals and Intermediates	355	594	943	1,768
Performance Polymers	187	293	563	886
Specialty Plastics	200	253	544	730
Total Eastman Chemical Company	\$ <u>1,337</u>	\$ <u>1,819</u>	\$ <u>3,719</u>	\$ <u>5,380</u>

TABLE 2B – SALES REVENUE CHANGE

	Third Quarter 2009 Compared to Third 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	(18) %	(7) %	(11) %	-- %	-- %
Fibers	(5) %	(12) %	7 %	-- %	-- %
Performance Chemicals and Intermediates ⁽¹⁾	(40) %	(10) %	(32) %	2 %	-- %
Performance Polymers ⁽²⁾	(36) %	(11) %	(28) %	3 %	-- %
Specialty Plastics	(21) %	(13) %	(7) %	(2) %	1 %
Total Eastman Chemical Company	<u>(27) %</u>	<u>(10) %</u>	<u>(17) %</u>	<u>-- %</u>	<u>-- %</u>
	First Nine Months 2009 Compared to First Nine 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	(27) %	(19) %	(5) %	(3) %	-- %
Fibers	-- %	(10) %	9 %	1 %	-- %
Performance Chemicals and Intermediates ⁽¹⁾	(47) %	(25) %	(23) %	1 %	-- %
Performance Polymers ⁽²⁾	(36) %	(13) %	(25) %	2 %	-- %
Specialty Plastics	(25) %	(17) %	(5) %	(3) %	-- %
Total Eastman Chemical Company	<u>(31) %</u>	<u>(18) %</u>	<u>(13) %</u>	<u>-- %</u>	<u>-- %</u>

⁽¹⁾ 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.

⁽²⁾ 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)	Third Quarter		First Nine Months	
	2009	2008	2009	2008
Sales by Region				
United States and Canada ⁽¹⁾	\$ 737	\$ 1,124	\$ 2,096	\$ 3,287
Asia Pacific	282	309	769	921
Europe, Middle East, and Africa	222	248	607	774
Latin America ⁽²⁾	96	138	247	398
	<u>\$ 1,337</u>	<u>\$ 1,819</u>	<u>\$ 3,719</u>	<u>\$ 5,380</u>

⁽¹⁾ 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.

⁽²⁾ 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

	Third Quarter	First Nine Months
Regional sales volume growth		
United States and Canada ⁽¹⁾	(12) %	(20) %
Asia Pacific	8 %	(6) %
Europe, Middle East, and Africa	(11) %	(33) %
Latin America ⁽²⁾	(17) %	(30) %

⁽¹⁾ 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.

⁽²⁾ 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)	Third Quarter		First Nine Months	
	2009	2008	2009	2008
Operating Earnings (Loss) by Segment and Items				
Coatings, Adhesives, Specialty Polymers, and Inks				
Operating earnings	\$ 84	\$ 55	\$ 148	\$ 167
Asset impairments and restructuring charges, net	--	--	5	(2)
Operating earnings excluding item	<u>84</u>	<u>55</u>	<u>153</u>	<u>165</u>
Fibers				
Operating earnings	79	65	222	195
Asset impairments and restructuring charges, net	--	--	4	--
Operating earnings excluding item	<u>79</u>	<u>65</u>	<u>226</u>	<u>195</u>
Performance Chemicals and Intermediates				
Operating earnings	33	62	35	160
Accelerated depreciation costs included in costs of goods sold	--	2	--	4
Asset impairments and restructuring charges, net	--	1	6	20
Operating earnings excluding items	<u>33</u>	<u>65</u>	<u>41</u>	<u>184</u>
Performance Polymers				
Operating loss	(10)	(1)	(32)	(5)
Accelerated depreciation costs included in costs of goods sold	--	1	--	4
Asset impairments and restructuring charges, net	--	1	4	4
Operating earnings (loss) excluding items	<u>(10)</u>	<u>1</u>	<u>(28)</u>	<u>3</u>
Specialty Plastics				
Operating earnings	13	6	3	36
Asset impairments and restructuring charges, net	--	--	4	--
Operating earnings excluding item	<u>13</u>	<u>6</u>	<u>7</u>	<u>36</u>
Total Operating Earnings by Segment and Items				
Total operating earnings	199	187	376	553
Total accelerated depreciation costs included in costs of goods sold	--	3	--	8
Total asset impairments and restructuring charges, net	--	2	23	22
Total operating earnings excluding items	<u>199</u>	<u>192</u>	<u>399</u>	<u>583</u>
Other ⁽¹⁾				
Operating loss	<u>(8)</u>	<u>(13)</u>	<u>(29)</u>	<u>(39)</u>
Total Eastman Chemical Company				
Total operating earnings	\$ 191	\$ 174	\$ 347	\$ 514
Total accelerated depreciation costs included in costs of goods sold	--	3	--	8
Total asset impairments and restructuring charges, net	--	2	23	22
Total operating earnings excluding items	<u>\$ 191</u>	<u>\$ 179</u>	<u>\$ 370</u>	<u>\$ 544</u>

⁽¹⁾ 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>	<u>Third Quarter 2009</u>		
Sales Revenue	\$ 1,129	\$ 1,253	\$ 1,337		
Less: Performance Chemicals and Intermediates – contract ethylene sales ⁽¹⁾	<u>17</u>	<u>1</u>	<u>-</u>		
Sales revenue excluding listed items	<u>\$ 1,112</u>	<u>\$ 1,252</u>	<u>\$ 1,337</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 ⁽¹⁾	92	102	89	31	314
Performance Polymers – contract polymer intermediates sales ⁽²⁾	<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>

⁽¹⁾ 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.

⁽²⁾ 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

(Dollars in millions)	Third Quarter 2009			
	Operating Earnings	Earnings Before Tax	Earnings After Tax	Earnings Per Diluted Share
As reported	\$ 191	\$ 170	\$ 101	\$ 1.38
Certain Item:				
Asset impairments and restructuring charges, net	--	--	--	--
Excluding item	<u>\$ 191</u>	<u>\$ 170</u>	<u>\$ 101</u>	<u>\$ 1.38</u>
(Dollars in millions)	Third Quarter 2008			
	Operating Earnings	Earnings Before Tax	Earnings After Tax	Earnings Per Diluted Share
As reported	\$ 174	\$ 148	\$ 100	\$ 1.33
Certain Items:				
Accelerated depreciation costs included in costs of goods sold	3	3	2	0.02
Asset impairments and restructuring charges, net	2	2	3	0.04
Net deferred tax benefits related to the previous divestiture of businesses	--	--	(3)	(0.04)
Excluding items	<u>\$ 179</u>	<u>\$ 153</u>	<u>\$ 102</u>	<u>\$ 1.35</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**

		First Nine Months 2009			
(Dollars in millions)		<u>Operating Earnings</u>	<u>Earnings Before Tax</u>	<u>Earnings After Tax</u>	<u>Earnings Per Diluted Share</u>
As reported		\$ 347	\$ 278	\$ 168	\$ 2.29
Certain Item:					
Asset impairments and restructuring charges, net		23	23	14	0.20
Excluding item		<u>\$ 370</u>	<u>\$ 301</u>	<u>\$ 182</u>	<u>\$ 2.49</u>
		First Nine Months 2008			
		Earnings from Continuing Operations			
(Dollars in millions)		<u>Operating Earnings</u>	<u>Before Tax</u>	<u>After Tax</u>	<u>Per Diluted Share</u>
As reported		\$ 514	\$ 454	\$ 330	\$ 4.27
Certain Items:					
Accelerated depreciation costs included in costs of goods sold		8	8	5	0.06
Asset impairments and restructuring charges, net		22	22	17	0.23
Net deferred tax benefits related to the previous divestiture of businesses		--	--	(14)	(0.18)
Excluding items		<u>\$ 544</u>	<u>\$ 484</u>	<u>\$ 338</u>	<u>\$ 4.38</u>

TABLE 6 – STATEMENTS OF CASH FLOWS

(Dollars in millions)	Third Quarter		First Nine Months	
	2009	2008	2009	2008
Cash flows from operating activities				
Net earnings	\$ 101	\$ 100	\$ 168	\$ 348
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:				
Depreciation and amortization	69	67	203	199
Asset impairments charges	--	--	--	1
Gain on sale of assets	--	1	--	(13)
Provision (benefit) for deferred income taxes	25	3	165	(56)
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:				
(Increase) decrease in trade receivables	17	72	(35)	(16)
(Increase) decrease in inventories	(50)	(55)	141	(170)
Increase (decrease) in trade payables	47	(60)	(8)	(49)
Increase (decrease) in liabilities for employee benefits and incentive pay	8	23	(14)	(6)
Other items, net	114	63	48	55
Net cash provided by operating activities	<u>331</u>	<u>214</u>	<u>668</u>	<u>293</u>
Cash flows from investing activities				
Additions to properties and equipment	(64)	(153)	(268)	(430)
Proceeds from sale of assets	--	4	25	333
Acquisitions of and investments in joint ventures	--	--	--	(38)
Additions to capitalized software	(2)	(2)	(6)	(8)
Other items, net	(21)	-	(64)	(2)
Net cash used in investing activities	<u>(87)</u>	<u>(151)</u>	<u>(313)</u>	<u>(145)</u>
Cash flows from financing activities				
Net increase in commercial paper, credit facility and other borrowings	14	(22)	23	42
Repayment of borrowings	(14)	--	(16)	(175)
Dividends paid to stockholders	(32)	(34)	(96)	(103)
Treasury stock purchases	--	(231)	--	(501)
Proceeds from stock option exercises and other items	6	--	15	38
Net cash used in financing activities	<u>(26)</u>	<u>(287)</u>	<u>(74)</u>	<u>(699)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>--</u>	<u>(1)</u>	<u>--</u>	<u>--</u>
Net change in cash and cash equivalents	218	(225)	281	(551)
Cash and cash equivalents at beginning of period	<u>450</u>	<u>562</u>	<u>387</u>	<u>888</u>
Cash and cash equivalents at end of period	<u>\$ 668</u>	<u>\$ 337</u>	<u>\$ 668</u>	<u>\$ 337</u>

TABLE 7 – SELECTED BALANCE SHEET ITEMS

(Dollars in millions)	<u>September 30, 2009</u>	<u>December 31, 2008</u>
Current Assets	\$ 1,580	\$ 1,423
Net Properties and Equipment	3,273	3,198
Other Assets	<u>701</u>	<u>660</u>
Total Assets	<u>\$ 5,554</u>	<u>\$ 5,281</u>
Payables and Other Current Liabilities	\$ 827	\$ 819
Short-term Borrowings	1	13
Long-term Borrowings	1,440	1,442
Other Liabilities	1,641	1,454
Stockholders' Equity	<u>1,645</u>	<u>1,553</u>
Total Liabilities and Stockholders' Equity	<u>\$ 5,554</u>	<u>\$ 5,281</u>