

FINANCIAL INFORMATION
July 29, 2010

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TABLE 1 – STATEMENTS OF EARNINGS

	Second Quarter		First Six Months	
	2010	2009	2010	2009
(Dollars in millions, except per share amounts)				
Sales	\$ 1,724	\$ 1,253	\$ 3,288	\$ 2,382
Cost of sales	1,320	993	2,563	1,943
Gross profit	404	260	725	439
Selling, general and administrative expenses	108	98	211	192
Research and development expenses	36	34	72	68
Asset impairments and restructuring charges, net	3	(3)	3	23
Operating earnings	257	131	439	156
Net interest expense	25	20	50	39
Other charges (income), net	8	5	14	9
Earnings before income taxes	224	106	375	108
Provision for income taxes	76	41	126	41
Net earnings	\$ 148	\$ 65	\$ 249	\$ 67
Earnings per share				
Basic	\$ 2.05	\$ 0.89	\$ 3.44	\$ 0.92
Diluted	\$ 2.02	\$ 0.89	\$ 3.38	\$ 0.91
Shares (in millions) outstanding at end of period	72.2	72.7	72.2	72.7
Shares (in millions) used for earnings per share calculation				
Basic	72.3	72.5	72.3	72.5
Diluted	73.5	73.1	73.5	73.0

TABLE 2A – SEGMENT SALES INFORMATION

(Dollars in millions)	<u>Second Quarter</u>		<u>First Six Months</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Sales by Segment				
Coatings, Adhesives, Specialty Polymers, and Inks	\$ 416	\$ 302	\$ 789	\$ 552
Fibers	274	263	541	522
Performance Chemicals and Intermediates	541	316	1,023	620
Performance Polymers	222	185	416	344
Specialty Plastics	271	187	519	344
Total Eastman Chemical Company	\$ <u>1,724</u>	\$ <u>1,253</u>	\$ <u>3,288</u>	\$ <u>2,382</u>

TABLE 2B – SEGMENT SALES REVENUE CHANGE

(Dollars in millions)	<u>Second Quarter 2010 Compared to Second Quarter 2009</u>				
	<u>Change in Sales Revenue Due To</u>				
	<u>Revenue % Change</u>	<u>Volume Effect</u>	<u>Price Effect</u>	<u>Product Mix Effect</u>	<u>Exchange Rate Effect</u>
Coatings, Adhesives, Specialty Polymers, and Inks	37 %	16 %	14 %	8 %	(1) %
Fibers	4 %	5 %	(1) %	-- %	-- %
Performance Chemicals and Intermediates	72 %	39 %	28 %	5 %	-- %
Performance Polymers	20 %	7 %	14 %	(1) %	-- %
Specialty Plastics	44 %	36 %	2 %	6 %	-- %
Total Eastman Chemical Company	<u>38 %</u>	<u>21 %</u>	<u>13 %</u>	<u>4 %</u>	<u>-- %</u>

(Dollars in millions)	<u>First Six Months 2010 Compared to First Six Months 2009</u>				
	<u>Change in Sales Revenue Due To</u>				
	<u>Revenue % Change</u>	<u>Volume Effect</u>	<u>Price Effect</u>	<u>Product Mix Effect</u>	<u>Exchange Rate Effect</u>
Coatings, Adhesives, Specialty Polymers, and Inks	43 %	24 %	9 %	9 %	1 %
Fibers	4 %	2 %	1 %	1 %	-- %
Performance Chemicals and Intermediates	65 %	31 %	26 %	8 %	-- %
Performance Polymers	21 %	7 %	16 %	(2) %	-- %
Specialty Plastics	51 %	42 %	-- %	8 %	1 %
Total Eastman Chemical Company	<u>38 %</u>	<u>21 %</u>	<u>11 %</u>	<u>5 %</u>	<u>1 %</u>

TABLE 2C – SALES BY REGION

(Dollars in millions)	Second Quarter		First Six Months	
	2010	2009	2010	2009
Sales by Region				
United States and Canada	\$ 963	\$ 688	\$ 1,800	\$ 1,359
Asia Pacific	355	277	689	487
Europe, Middle East, and Africa	285	207	561	385
Latin America	121	81	238	151
Total Eastman Chemical Company	\$ 1,724	\$ 1,253	\$ 3,288	\$ 2,382

TABLE 2D – SALES REVENUE CHANGE BY REGION

(Dollars in millions)	Second Quarter 2010 Compared to Second Quarter 2009				
	Change	Change in Sales Revenue Due To			
		Volume Effect	Price Effect	Product Mix Effect	Exchange Rate Effect
United States and Canada	40 %	24 %	16 %	-- %	-- %
Asia Pacific	28 %	9 %	9 %	9 %	1 %
Europe, Middle East, and Africa	38 %	23 %	4 %	13 %	(2) %
Latin America	50 %	32 %	17 %	1 %	-- %
Total Eastman Chemical Company	38 %	21 %	13 %	4 %	-- %

(Dollars in millions)	First Six Months 2010 Compared to First Six Months 2009				
	Change	Change in Sales Revenue Due To			
		Volume Effect	Price Effect	Product Mix Effect	Exchange Rate Effect
United States and Canada	33 %	19 %	13 %	1 %	-- %
Asia Pacific	42 %	20 %	11 %	10 %	1 %
Europe, Middle East, and Africa	46 %	25 %	2 %	17 %	2 %
Latin America	57 %	38 %	19 %	-- %	-- %
Total Eastman Chemical Company	38 %	21 %	11 %	5 %	1 %

TABLE 3 - OPERATING EARNINGS (LOSS) AND ASSET IMPAIRMENTS AND RESTRUCTURING CHARGES, NET

(Dollars in millions)	Second Quarter		First Six Months	
	2010	2009	2010	2009
Operating Earnings (Loss) by Segment and Items				
Coatings, Adhesives, Specialty Polymers, and Inks				
Operating earnings	\$ 94	\$ 50	\$ 160	\$ 64
Asset impairments and restructuring charges, net ⁽¹⁾	--	(2)	--	5
Operating earnings excluding item	<u>94</u>	<u>48</u>	<u>160</u>	<u>69</u>
Fibers				
Operating earnings	83	74	162	143
Asset impairments and restructuring charges, net ⁽¹⁾	--	--	--	4
Operating earnings excluding item	<u>83</u>	<u>74</u>	<u>162</u>	<u>147</u>
Performance Chemicals and Intermediates				
Operating earnings (loss)	69	1	106	(9)
Asset impairments and restructuring charges, net ⁽¹⁾⁽²⁾	3	--	3	6
Operating earnings (loss) excluding item	<u>72</u>	<u>1</u>	<u>109</u>	<u>(3)</u>
Performance Polymers				
Operating earnings (loss)	6	7	(7)	(11)
Asset impairments and restructuring charges, net ⁽¹⁾	--	--	--	4
Operating earnings (loss) excluding item	<u>6</u>	<u>7</u>	<u>(7)</u>	<u>(7)</u>
Specialty Plastics				
Operating earnings (loss)	21	8	42	(10)
Asset impairments and restructuring charges, net ⁽¹⁾	--	(1)	--	4
Operating earnings (loss) excluding item	<u>21</u>	<u>7</u>	<u>42</u>	<u>(6)</u>
Total Operating Earnings by Segment and Item				
Total operating earnings	273	140	463	177
Total asset impairments and restructuring charges, net	3	(3)	3	23
Total operating earnings excluding item	<u>276</u>	<u>137</u>	<u>466</u>	<u>200</u>
Other ⁽³⁾				
Operating loss	<u>(16)</u>	<u>(9)</u>	<u>(24)</u>	<u>(21)</u>
Total Eastman Chemical Company				
Total operating earnings	\$ 257	\$ 131	\$ 439	\$ 156
Total asset impairments and restructuring charges, net	3	(3)	3	23
Total operating earnings excluding item	<u>\$ 260</u>	<u>\$ 128</u>	<u>\$ 442</u>	<u>\$ 179</u>

⁽¹⁾ Includes severance costs for a reduction in force in first quarter 2009.⁽²⁾ Second quarter 2010 includes restructuring charges of \$3 million, primarily for severance associated with the acquisition and integration of Genovique Specialty Corporation.⁽³⁾ Expenses not identifiable to an operating segment are not included in segment operating results and are shown as "other" operating losses.

TABLE 4 – OPERATING EARNINGS, EARNINGS, AND EARNINGS PER SHARE RECONCILIATION**EARNINGS PER DILUTED SHARE EXCLUDING CERTAIN ITEM**

(Dollars in millions)	Second Quarter 2010			
	Operating Earnings	Earnings Before Tax	Earnings After Tax	Earnings Per Diluted Share
As reported	\$ 257	\$ 224	\$ 148	\$ 2.02
Certain Item:				
Asset impairments and restructuring charges, net	3	3	2	0.03
Excluding item	<u>\$ 260</u>	<u>\$ 227</u>	<u>\$ 150</u>	<u>\$ 2.05</u> ⁽¹⁾
	Second Quarter 2009			
(Dollars in millions)	Operating Earnings	Earnings Before Tax	Earnings After Tax	Earnings Per Diluted Share
As reported	\$ 131	\$ 106	\$ 65	\$ 0.89
Certain Item:				
Asset impairments and restructuring charges, net	(3)	(3)	(2)	(0.03)
Excluding item	<u>\$ 128</u>	<u>\$ 103</u>	<u>\$ 63</u>	<u>\$ 0.86</u>
	First Six Months 2010			
(Dollars in millions)	Operating Earnings	Earnings Before Tax	Earnings After Tax	Earnings Per Diluted Share
As reported	\$ 439	\$ 375	\$ 249	\$ 3.38
Certain Item:				
Asset impairments and restructuring charges, net	3	3	2	0.03
Excluding item	<u>\$ 442</u>	<u>\$ 378</u>	<u>\$ 251</u>	<u>\$ 3.41</u>
	First Six Months 2009			
(Dollars in millions)	Operating Earnings	Earnings Before Tax	Earnings After Tax	Earnings Per Diluted Share
As reported	\$ 156	\$ 108	\$ 67	\$ 0.91
Certain Item:				
Asset impairments and restructuring charges, net	23	23	14	0.20
Excluding item	<u>\$ 179</u>	<u>\$ 131</u>	<u>\$ 81</u>	<u>\$ 1.11</u>

⁽¹⁾ Represents a Company record quarter non-GAAP earnings per diluted share excluding the impact of a sale of investment in a prior period.

TABLE 5 – STATEMENTS OF CASH FLOWS

(Dollars in millions)	Second Quarter		First Six Months	
	2010	2009	2010	2009
Cash flows from operating activities				
Net earnings	\$ 148	\$ 65	\$ 249	\$ 67
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:				
Depreciation and amortization	70	67	139	134
Provision (benefit) for deferred income taxes	(4)	153	12	140
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:				
(Increase) decrease in trade receivables	(19)	(57)	(433)	(52)
(Increase) decrease in inventories	(32)	121	(90)	191
Increase (decrease) in trade payables	(4)	(38)	90	(55)
Increase (decrease) in liabilities for employee benefits and incentive pay	35	33	(10)	(22)
Other items, net	12	(89)	24	(66)
Net cash provided by (used in) operating activities	<u>206</u>	<u>255</u>	<u>(19)</u>	<u>337</u>
Cash flows from investing activities				
Additions to properties and equipment	(45)	(94)	(76)	(204)
Proceeds from sale of assets and investments	7	1	11	25
Acquisitions and investments in joint ventures	(171)	(16)	(189)	(36)
Additions to capitalized software	(1)	(2)	(3)	(4)
Other items, net	--	(7)	--	(7)
Net cash used in investing activities	<u>(210)</u>	<u>(118)</u>	<u>(257)</u>	<u>(226)</u>
Cash flows from financing activities				
Net increase in commercial paper, credit facility and other borrowings	(1)	3	1	9
Repayment of borrowings	--	(2)	--	(2)
Dividends paid to stockholders	(32)	(32)	(64)	(64)
Treasury stock purchases	(33)	--	(53)	--
Proceeds from stock option exercises and other items	21	4	33	9
Net cash used in financing activities	<u>(45)</u>	<u>(27)</u>	<u>(83)</u>	<u>(48)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1</u>	<u>--</u>	<u>1</u>	<u>--</u>
Net change in cash and cash equivalents	(48)	110	(358)	63
Cash and cash equivalents at beginning of period	<u>483</u>	<u>340</u>	<u>793</u>	<u>387</u>
Cash and cash equivalents at end of period	<u>\$ 435</u>	<u>\$ 450</u>	<u>\$ 435</u>	<u>\$ 450</u>

TABLE 5A – NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES RECONCILIATION AND FREE CASH FLOW

(Dollars in millions)	Second Quarter		First Six Months	
	2010	2009	2010	2009
Net cash provided by (used in) operating activities	\$ 206	\$ 255	\$ (19)	\$ 337
Impact of adoption of amended accounting guidance ⁽¹⁾	--	--	200	--
Net cash provided by operating activities excluding item	206	255	181	337
Additions to properties and equipment	(45)	(94)	(76)	(204)
Dividends paid to stockholders	(32)	(32)	(64)	(64)
Free Cash Flow	\$ <u>129</u>	\$ <u>129</u>	\$ <u>41</u>	\$ <u>69</u>

⁽¹⁾ First six months 2010 cash from operating activities reflected the adoption of amended accounting guidance for transfers of financial assets which resulted in \$200 million of receivables, which were previously accounted for as sold and removed from the balance sheet when transferred under the accounts receivable securitization program, being included on the first quarter balance sheet as trade receivables, net. This increase in receivables reduced cash from operations by \$200 million in first quarter 2010.

TABLE 6 – SELECTED BALANCE SHEET ITEMS

(Dollars in millions)	June 30, 2010	December 31, 2009
Current Assets	\$ 1,909	\$ 1,735
Net Properties and Equipment	3,155	3,110
Other Assets	735	670
Total Assets	\$ <u>5,799</u>	\$ <u>5,515</u>
Payables and Other Current Liabilities	\$ 880	\$ 800
Short-term Borrowings	6	--
Long-term Borrowings	1,605	1,604
Other Liabilities	1,631	1,598
Stockholders' Equity	1,677	1,513
Total Liabilities and Stockholders' Equity	\$ <u>5,799</u>	\$ <u>5,515</u>