

FINANCIAL INFORMATION
January 28, 2010

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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 2008 as discontinued operations and are therefore not included in results from continuing operations for the company or the Performance Polymers segment under accounting principles generally accepted in the United States.

TABLE 1 – STATEMENTS OF EARNINGS (LOSS)

	Fourth Quarter		Twelve Months	
	2009	2008	2009	2008
(Dollars in millions, except per share amounts)				
Sales	\$ 1,328	\$ 1,346	\$ 5,047	\$ 6,726
Cost of sales	1,042	1,200	3,994	5,600
Gross profit	286	146	1,053	1,126
Selling, general and administrative expenses	103	95	399	419
Research and development expenses	36	38	137	158
Asset impairments and restructuring charges, net	177	24	200	46
Other operating income, net	--	(16)	--	(16)
Operating earnings (loss)	(30)	5	317	519
Net interest expense	20	17	78	70
Other charges (income), net	2	13	13	20
Earnings (loss) from continuing operations before income taxes	(52)	(25)	226	429
Provision (benefit) for income taxes from continuing operations	(20)	(23)	90	101
Earnings (loss) from continuing operations	(32)	(2)	136	328
Earnings from disposal of discontinued operations, net of tax	--	--	--	18
Net earnings (loss)	<u>\$ (32)</u>	<u>\$ (2)</u>	<u>\$ 136</u>	<u>\$ 346</u>
Basic earnings (loss) per share				
Earnings (loss) from continuing operations	\$ (0.44)	\$ (0.03)	\$ 1.88	\$ 4.36
Earnings from discontinued operations	--	--	--	0.23
Basic earnings (loss) per share	<u>\$ (0.44)</u>	<u>\$ (0.03)</u>	<u>\$ 1.88</u>	<u>\$ 4.59</u>
Diluted earnings (loss) per share				
Earnings (loss) from continuing operations	\$ (0.44)	\$ (0.03)	\$ 1.85	\$ 4.31
Earnings from discontinued operations	--	--	--	0.24
Diluted earnings (loss) per share	<u>\$ (0.44)</u>	<u>\$ (0.03)</u>	<u>\$ 1.85</u>	<u>\$ 4.55</u>
Shares (in millions) outstanding at end of period	72.5	72.5	72.5	72.5
Shares (in millions) used for earnings per share calculation				
Basic	72.5	72.4	72.5	75.2
Diluted	72.5	72.4	73.4	76.0

TABLE 2A – SEGMENT SALES INFORMATION

(Dollars in millions)	Fourth Quarter		Twelve Months	
	2009	2008	2009	2008
Sales by Segment				
Coatings, Adhesives, Specialty Polymers, and Inks	\$ 327	\$ 311	\$ 1,217	\$ 1,524
Fibers	253	262	1,032	1,045
Performance Chemicals and Intermediates	387	392	1,330	2,160
Performance Polymers	156	188	719	1,074
Specialty Plastics	205	193	749	923
Total Eastman Chemical Company	\$ 1,328	\$ 1,346	\$ 5,047	\$ 6,726

TABLE 2B – SEGMENT SALES REVENUE CHANGE

(Dollars in millions)	Fourth Quarter 2009 Compared to Fourth Quarter 2008				
	Revenue % Change	Change in Sales Revenue Due To			
		Volume Effect	Price Effect	Product Mix Effect	Exchange Rate Effect
Coatings, Adhesives, Specialty Polymers, and Inks	5 %	15 %	(13) %	1 %	2 %
Fibers	(4) %	(4) %	6 %	(7) %	1 %
Performance Chemicals and Intermediates ⁽¹⁾	(1) %	9 %	(16) %	5 %	1 %
Performance Polymers ⁽²⁾	(17) %	(13) %	(8) %	4 %	-- %
Specialty Plastics	6 %	20 %	(13) %	(3) %	2 %
Total Eastman Chemical Company	(1) %	7 %	(10) %	1 %	1 %

(Dollars in millions)	Twelve Months 2009 Compared to Twelve Months 2008				
	Revenue % Change	Change in Sales Revenue Due To			
		Volume Effect	Price Effect	Product Mix Effect	Exchange Rate Effect
Coatings, Adhesives, Specialty Polymers, and Inks	(20) %	(12) %	(6) %	(2) %	-- %
Fibers	(1) %	(8) %	8 %	(1) %	-- %
Performance Chemicals and Intermediates ⁽¹⁾	(38) %	(17) %	(22) %	1 %	-- %
Performance Polymers ⁽²⁾	(33) %	(13) %	(22) %	2 %	-- %
Specialty Plastics	(19) %	(10) %	(7) %	(3) %	1 %
Total Eastman Chemical Company	(25) %	(13) %	(12) %	-- %	-- %

⁽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)	Fourth Quarter		Twelve Months	
	2009	2008	2009	2008
Sales by Region				
United States and Canada ⁽¹⁾	\$ 701	\$ 778	\$ 2,797	\$ 4,065
Asia Pacific	293	264	1,062	1,185
Europe, Middle East, and Africa	231	203	838	977
Latin America ⁽²⁾	103	101	350	499
Total Eastman Chemical Company	<u>\$ 1,328</u>	<u>\$ 1,346</u>	<u>\$ 5,047</u>	<u>\$ 6,726</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 – SALES REVENUE CHANGE BY REGION

(Dollars in millions)	Fourth Quarter 2009 Compared to Fourth Quarter 2008				
	Change in Sales Revenue Due To				
	Change	Volume Effect	Price Effect	Product Mix Effect	Exchange Rate Effect
United States and Canada ⁽¹⁾	(10) %	2 %	(12) %	-- %	-- %
Asia Pacific	11 %	18 %	(5) %	(3) %	1 %
Europe, Middle East, and Africa	14 %	9 %	(3) %	1 %	7 %
Latin America ⁽²⁾	3 %	8 %	(16) %	11 %	-- %
Total Eastman Chemical Company	<u>(1) %</u>	<u>7 %</u>	<u>(10) %</u>	<u>1 %</u>	<u>1 %</u>
(Dollars in millions)	Twelve Months 2009 Compared to Twelve Months 2008				
	Change in Sales Revenue Due To				
	Change	Volume Effect	Price Effect	Product Mix Effect	Exchange Rate Effect
United States and Canada ⁽¹⁾	(31) %	(16) %	(16) %	1 %	-- %
Asia Pacific	(10) %	(1) %	(5) %	(4) %	-- %
Europe, Middle East, and Africa	(14) %	(8) %	(1) %	(6) %	1 %
Latin America ⁽²⁾	(30) %	(22) %	(17) %	9 %	-- %
Total Eastman Chemical Company	<u>(25) %</u>	<u>(13) %</u>	<u>(12) %</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 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, ASSET IMPAIRMENTS AND RESTRUCTURING CHARGES, NET, AND OTHER OPERATING INCOME

(Dollars in millions)	Fourth Quarter		Twelve Months	
	2009	2008	2009	2008
Operating Earnings (Loss) by Segment and Items				
Coatings, Adhesives, Specialty Polymers, and Inks				
Operating earnings	\$ 79	\$ 35	\$ 227	\$ 202
Asset impairments and restructuring charges, net ⁽¹⁾⁽²⁾	(2)	2	3	--
Other operating income ⁽³⁾	--	(5)	--	(5)
Operating earnings excluding items	<u>77</u>	<u>32</u>	<u>230</u>	<u>197</u>
Fibers				
Operating earnings	74	43	296	238
Asset impairments and restructuring charges, net ⁽¹⁾	--	--	4	--
Operating earnings excluding item	<u>74</u>	<u>43</u>	<u>300</u>	<u>238</u>
Performance Chemicals and Intermediates				
Operating earnings (loss)	28	(7)	63	153
Accelerated depreciation costs included in costs of goods sold ⁽⁴⁾	--	1	--	5
Asset impairments and restructuring charges, net ⁽¹⁾⁽⁵⁾	--	2	6	22
Other operating income ⁽³⁾	--	(9)	--	(9)
Operating earnings (loss) excluding items	<u>28</u>	<u>(13)</u>	<u>69</u>	<u>171</u>
Performance Polymers				
Operating loss	(34)	(52)	(66)	(57)
Accelerated depreciation costs included in costs of goods sold ⁽⁶⁾	--	--	--	4
Asset impairments and restructuring charges, net ⁽¹⁾⁽⁷⁾	--	20	4	24
Operating loss excluding items	<u>(34)</u>	<u>(32)</u>	<u>(62)</u>	<u>(29)</u>
Specialty Plastics				
Operating earnings (loss)	11	(1)	14	35
Asset impairments and restructuring charges, net ⁽¹⁾	--	--	4	--
Other operating income ⁽³⁾	--	(2)	--	(2)
Operating earnings (loss) excluding items	<u>11</u>	<u>(3)</u>	<u>18</u>	<u>33</u>
Other ⁽⁸⁾				
Operating loss	(188)	(13)	(217)	(52)
Asset impairments and restructuring charges, net ⁽⁹⁾	<u>179</u>	<u>--</u>	<u>179</u>	<u>--</u>
Operating loss excluding items	<u>(9)</u>	<u>(13)</u>	<u>(38)</u>	<u>(52)</u>
Total Eastman Chemical Company				
Total operating earnings (loss)	\$ (30)	\$ 5	\$ 317	\$ 519
Total accelerated depreciation costs included in costs of goods sold	--	1	--	9
Total asset impairments and restructuring charges, net	177	24	200	46
Total other operating income	<u>--</u>	<u>(16)</u>	<u>--</u>	<u>(16)</u>
Total operating earnings excluding items	<u>\$ 147</u>	<u>\$ 14</u>	<u>\$ 517</u>	<u>\$ 558</u>

⁽¹⁾ Includes severance costs for a reduction in force in first quarter 2009 and fourth quarter 2008.⁽²⁾ Fourth quarter 2009 is an adjustment to the reserve for a contingency from a previous divestiture.⁽³⁾ Income from sale of certain mineral rights at an operating manufacturing site.⁽⁴⁾ Costs resulting from shutdown of cracking units at the Company's Longview, Texas facility.⁽⁵⁾ Primarily severance and pension costs from closure of previously impaired site in the United Kingdom.⁽⁶⁾ Costs resulting from shutdown of higher cost PET manufacturing assets in Columbia, South Carolina.⁽⁷⁾ 2008 includes restructuring costs at the South Carolina PET manufacturing facility and a gain from the reversal of a contingent liability from the prior sale of the Company's PE and Epolene™ polymer businesses.⁽⁸⁾ Expenses not identifiable to an operating segment are not included in segment operating results and are shown as "other" operating losses.⁽⁹⁾ Impairment of assets of industrial gasification project in Beaumont, Texas discontinued in fourth quarter 2009.

TABLE 4 –DETAIL OF SALES REVENUE

(Dollars in millions)	<u>First Quarter 2009</u>	<u>Second Quarter 2009</u>	<u>Third Quarter 2009</u>	<u>Fourth Quarter 2009</u>	<u>Twelve Months 2009</u>
Sales Revenue	\$ 1,129	\$ 1,253	\$ 1,337	\$ 1,328	\$ 5,047
Less: Performance Chemicals and Intermediates – contract ethylene sales ⁽¹⁾	<u>17</u>	<u>1</u>	<u>--</u>	<u>10</u>	<u>28</u>
Sales revenue excluding listed items	<u>\$ 1,112</u>	<u>\$ 1,252</u>	<u>\$ 1,337</u>	<u>\$ 1,318</u>	<u>\$ 5,019</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 (LOSS), EARNINGS (LOSS), AND EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS RECONCILIATION**EARNINGS (LOSS) PER DILUTED SHARE EXCLUDING CERTAIN ITEMS**

	Fourth Quarter 2009			
	Operating Earnings (Loss)	Earnings (Loss) Before Tax	Earnings (Loss) After Tax	Earnings (Loss) Per Diluted Share
(Dollars in millions)				
As reported	\$ (30)	\$ (52)	\$ (32)	\$ (0.44)
Certain Item:				
Asset impairments and restructuring charges, net	177	177	116	1.58
Excluding item ⁽¹⁾	<u>\$ 147</u>	<u>\$ 125</u>	<u>\$ 84</u>	<u>\$ 1.14</u>

⁽¹⁾ Earnings per share calculated using diluted shares of 73.8 million.

	Fourth Quarter 2008			
	Operating Earnings	Earnings (Loss) Before Tax	Earnings (Loss) After Tax	Earnings (Loss) Per Diluted Share
(Dollars in millions)				
As reported	\$ 5	\$ (25)	\$ (2)	\$ (0.03)
Certain Items:				
Accelerated depreciation costs included in costs of goods sold	1	1	1	0.01
Asset impairments and restructuring charges, net	24	24	15	0.20
Other operating income	(16)	(16)	(10)	(0.13)
Excluding items	<u>\$ 14</u>	<u>\$ (16)</u>	<u>\$ 4</u>	<u>\$ 0.05</u>

[Table 5 continued next page]

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

		Twelve Months 2009			
		Operating Earnings	Earnings Before Tax	Earnings After Tax	Earnings Per Diluted Share
(Dollars in millions)					
As reported		\$ 317	\$ 226	\$ 136	\$ 1.85
Certain Item:					
Asset impairments and restructuring charges, net		200	200	130	1.78
Excluding item		<u>\$ 517</u>	<u>\$ 426</u>	<u>\$ 266</u>	<u>\$ 3.63</u>
		Twelve Months 2008			
		Operating Earnings	Earnings from Continuing Operations		Per Diluted Share
		Before Tax	After Tax		
(Dollars in millions)					
As reported		\$ 519	\$ 429	\$ 328	\$ 4.31
Certain Items:					
Accelerated depreciation costs included in costs of goods sold		9	9	6	0.08
Asset impairments and restructuring charges, net		46	46	32	0.42
Other operating income		(16)	(16)	(10)	(0.13)
Net deferred tax benefits related to the previous divestiture of businesses		--	--	(14)	(0.18)
Excluding items		<u>\$ 558</u>	<u>\$ 468</u>	<u>\$ 342</u>	<u>\$ 4.50</u>

TABLE 6 – STATEMENTS OF CASH FLOWS

(Dollars in millions)	<u>Fourth Quarter</u>		<u>Twelve Months</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities				
Net earnings (loss)	\$ (32)	\$ (2)	\$ 136	\$ 346
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:				
Depreciation and amortization	71	68	274	267
Asset impairments charges	179	--	179	1
Gain on sale of assets	--	(1)	--	(14)
Provision (benefit) for deferred income taxes	20	(15)	185	(71)
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:				
(Increase) decrease in trade receivables	37	277	2	261
(Increase) decrease in inventories	(41)	75	100	(95)
Increase (decrease) in trade payables	24	(162)	16	(211)
Increase (decrease) in liabilities for employee benefits and incentive pay	(127)	13	(141)	7
Other items, net	(41)	107	7	162
Net cash provided by operating activities	<u>90</u>	<u>360</u>	<u>758</u>	<u>653</u>
Cash flows from investing activities				
Additions to properties and equipment	(42)	(204)	(310)	(634)
Proceeds from sale of assets and investments	5	4	30	337
Acquisitions of and investments in joint ventures	(16)	--	(68)	(38)
Additions to capitalized software	(2)	(2)	(8)	(10)
Other items, net	(1)	(29)	(13)	(31)
Net cash used in investing activities	<u>(56)</u>	<u>(231)</u>	<u>(369)</u>	<u>(376)</u>
Cash flows from financing activities				
Net increase (decrease) in commercial paper, credit facility and other borrowings	(20)	(49)	3	(7)
Proceeds from borrowings	248	--	248	--
Repayment of borrowings	(85)	--	(101)	(175)
Dividends paid to stockholders	(32)	(32)	(128)	(135)
Treasury stock purchases	(21)	--	(21)	(501)
Proceeds from stock option exercises and other items	2	1	17	39
Net cash provided by (used in) financing activities	<u>92</u>	<u>(80)</u>	<u>18</u>	<u>(779)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1)</u>	<u>1</u>	<u>(1)</u>	<u>1</u>
Net change in cash and cash equivalents	125	50	406	(501)
Cash and cash equivalents at beginning of period	<u>668</u>	<u>337</u>	<u>387</u>	<u>888</u>
Cash and cash equivalents at end of period	<u>\$ 793</u>	<u>\$ 387</u>	<u>\$ 793</u>	<u>\$ 387</u>

TABLE 7 – SELECTED BALANCE SHEET ITEMS

(Dollars in millions)	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Current Assets	\$ 1,735	\$ 1,423
Net Properties and Equipment	3,110	3,198
Other Assets	<u>670</u>	<u>660</u>
Total Assets	<u>\$ 5,515</u>	<u>\$ 5,281</u>
Payables and Other Current Liabilities	\$ 800	\$ 819
Short-term Borrowings	--	13
Long-term Borrowings	1,604	1,442
Other Liabilities	1,598	1,454
Stockholders' Equity	<u>1,513</u>	<u>1,553</u>
Total Liabilities and Stockholders' Equity	<u>\$ 5,515</u>	<u>\$ 5,281</u>