

Eastman Announces Fourth-Quarter and Full-Year 2009 Results

KINGSPORT, Tenn., Jan. 28, 2010 – Eastman Chemical Company (NYSE:EMN) today announced a loss of \$0.44 per diluted share for fourth quarter 2009 versus a loss of \$0.03 per diluted share for fourth quarter 2008. Excluding the items described below for both periods, fourth-quarter 2009 earnings were \$1.14 per diluted share, while fourth-quarter 2008 earnings were \$0.05 per diluted share. For reconciliations to reported company and segment earnings, see Tables 3 and 5 in the accompanying financial tables.

Included in results for fourth quarter 2009 were non-cash asset impairments and restructuring charges, net, of \$177 million, primarily for the discontinued Beaumont, Texas, industrial gasification project. Fourth-quarter 2008 results included asset impairments and restructuring charges, net, of \$24 million, accelerated depreciation costs of \$1 million, and other operating income of \$16 million.

“The strategic portfolio actions that have strengthened our core businesses and the decisive actions to reduce costs in response to the global recession led to solid performance in 2009 that was significantly better than the last recession,” said Jim Rogers, president and CEO. “We are well positioned for earnings to improve going forward as the global economy rebounds, and we remain focused on strong cash generation.”

(In millions, except per share amounts)	4Q2009	4Q2008	FY2009	FY2008
Sales revenue	\$1,328	\$1,346	\$5,047	\$6,726
Earnings (loss) per diluted share from continuing operations	(\$0.44)	(\$0.03)	\$1.85	\$4.31
Earnings per diluted share from continuing operations excluding asset impairments and restructuring charges, net, accelerated depreciation costs, and other operating income*	\$1.14	\$0.05	\$3.63	\$4.50
Net cash provided by operating activities	\$90	\$360	\$758	\$653

*For reconciliations to reported company and segment earnings, see Tables 3 and 5 in the accompanying fourth-quarter and full-year 2009 financial tables.

Sales revenue for fourth quarter 2009 was \$1.3 billion, a 1 percent decline compared to fourth quarter 2008. Fourth-quarter 2009 and 2008 sales revenue

included contract ethylene sales, and fourth quarter 2008 sales revenue also included contract polymer intermediates sales. Excluding these sales, revenue increased 2 percent as sales volume increased 12 percent and selling prices declined 10 percent. The increase in sales volume was due to improved demand compared to the depressed level in fourth quarter 2008 while selling prices declined due to the global recession. For reconciliations to reported company and segment sales revenue, see Tables 2 and 4 in the accompanying financial tables.

Operating results in fourth quarter 2009 were a loss of \$30 million compared to operating earnings of \$5 million in fourth quarter 2008. Excluding asset impairments and restructuring charges, net, fourth-quarter 2009 operating earnings were \$147 million. Fourth-quarter 2008 operating earnings, excluding asset impairments and restructuring charges, net, accelerated depreciation costs, and other operating income, were \$14 million. The increase in operating earnings was primarily due to lower raw material and energy costs, increased sales volume and the favorable impact of higher capacity utilization, and cost reduction actions, partially offset by lower selling prices.

Segment Results 4Q 2009 versus 4Q 2008

Coatings, Adhesives, Specialty Polymers and Inks – Sales revenue increased by 5 percent as higher sales volume more than offset lower selling prices. The increase in sales volume was due to improved demand compared to the depressed level in fourth quarter 2008 while selling prices declined due to the global recession. Operating earnings in fourth quarter 2009, excluding a gain from the reversal of a previous restructuring charge, were \$77 million, while fourth-quarter 2008 operating earnings, excluding asset impairments and restructuring charges, net, and other operating income, were \$32 million. Operating earnings increased, with year-over-year improvement across most product lines, due to lower raw material and energy costs, higher sales volume, and cost reduction actions, partially offset by lower selling prices.

Fibers – Sales revenue declined by 4 percent as an unfavorable shift in product mix and lower sales volume were partially offset by higher selling prices. The lower sales volume and unfavorable shift in product mix were attributed to customer buying patterns for acetate tow product lines in the Asia Pacific region partially offset by higher acetyl chemical product lines sales volume. The higher selling prices were in response to higher raw material costs, particularly for wood pulp. Fourth-quarter 2009 operating earnings were \$74 million compared to \$43 million in fourth quarter 2008. The increase in operating earnings was due to higher selling prices and cost reduction actions partially offset by the unfavorable shift in product mix and lower sales volume.

Performance Chemicals and Intermediates – Sales revenue declined by 1 percent, and excluding contract ethylene sales increased by 5 percent, due primarily to higher sales volume partially offset by lower selling prices. The increase in sales volume was due to improved demand compared to the

depressed level in fourth quarter 2008 while selling prices declined due to the global recession. Operating earnings in fourth quarter 2009 were \$28 million compared with a loss of \$13 million in fourth quarter 2008, excluding accelerated depreciation costs, asset impairments and restructuring charges, net, and other operating income. Operating results increased year over year primarily due to lower raw material and energy costs, higher sales volume and the favorable impact of higher capacity utilization, partially offset by lower selling prices.

Performance Polymers – Sales revenue declined by 17 percent, and excluding contract polymer intermediates sales to divested manufacturing facilities in fourth quarter 2008 declined by 7 percent, due to lower selling prices. The lower selling prices were due to lower raw material and energy costs, particularly for paraxylene. Operating results in fourth quarter 2009 were a loss of \$34 million compared to a loss of \$32 million in fourth quarter 2008, excluding asset impairments and restructuring charges, net, in fourth quarter 2008. Fourth quarter 2009 operating results included the unfavorable impact on sales revenue and manufacturing costs of continued operational challenges with the South Carolina PET manufacturing facility, a shutdown of the South Carolina facility to address the operational challenges, and the impact of depressed demand due to continued difficult market conditions. Fourth-quarter 2008 operating results were negatively impacted by depressed demand due to the global recession and the impact of the shutdown for the debottleneck of the PET facility based on IntegRex™ technology.

Specialty Plastics - Sales revenue increased by 6 percent as higher sales volume more than offset lower selling prices. The increase in sales volume was due to improved demand compared to the depressed level in fourth quarter 2008 while selling prices declined due to the global recession. Operating earnings in fourth quarter 2009 were \$11 million compared to a loss of \$3 million in fourth quarter 2008, excluding other operating income in fourth quarter 2008. Operating results improved due to lower raw material and energy costs, higher sales volume and the favorable impact of higher capacity utilization, and cost reduction actions, which more than offset lower selling prices.

Corporate FY 2009 versus FY 2008

For full-year 2009, Eastman announced earnings from continuing operations of \$1.85 per diluted share compared to \$4.31 per diluted share for full-year 2008. Excluding the items described below for both periods, full-year 2009 earnings were \$3.63 per diluted share, while full-year 2008 earnings from continuing operations were \$4.50 per diluted share. For reconciliations to reported company and segment earnings, see Tables 3 and 5 in the accompanying financial tables.

Full-year 2009 earnings included non-cash asset impairments and restructuring charges, net, of \$200 million for the discontinued Beaumont, Texas, industrial gasification project and severance charges resulting from a reduction in force. Full-year

2008 earnings from continuing operations included asset impairments and restructuring charges, net, of \$46 million, accelerated depreciation costs of \$9 million, and other operating income of \$16 million.

Eastman's full-year 2009 sales revenue was \$5 billion, a decline of 25 percent year-over-year. Both full-year 2009 and full-year 2008 sales revenue included contract ethylene sales, and full-year 2008 sales revenue also included contract polymer intermediates sales. Excluding these sales, revenue declined 20 percent as selling prices declined 12 percent and sales volume declined 7 percent. Selling prices declined due to lower raw material and energy costs while the decline in sales volume was attributed to weakened demand due to the global recession. For reconciliations to reported company and segment sales revenue, see Tables 2 and 4 in the accompanying financial tables.

Operating earnings for full-year 2009 were \$317 million compared to operating earnings of \$519 million for full-year 2008. Excluding asset impairments and restructuring charges, net, full-year 2009 operating earnings were \$517 million. Excluding asset impairments and restructuring charges, net, accelerated depreciation costs, and other operating income, full-year 2008 operating earnings were \$558 million. The lower full-year operating earnings excluding these items were primarily due to lower sales volume and the unfavorable impact of lower capacity utilization. This was partially offset by lower raw material and energy costs more than offsetting lower selling prices, and cost reduction actions.

Segment Results FY 2009 versus FY 2008

Coatings, Adhesives, Specialty Polymers and Inks – Sales revenue declined by 20 percent due primarily to lower sales volume and lower selling prices. The lower sales volume was due to reduced customer demand in all regions except Asia Pacific attributed to the global recession, while the lower selling prices were mainly due to lower raw material and energy costs. Operating earnings, excluding asset impairments and restructuring charges, net, were \$230 million in 2009, and operating earnings in 2008 were \$197 million, excluding other operating income. Operating earnings increased primarily due to lower raw material and energy costs and cost reduction actions partially offset by lower sales volume.

Fibers – Sales revenue declined by 1 percent as lower sales volume was mostly offset by higher selling prices. The lower sales volume was primarily for acetyl chemical products. The higher selling prices were in response to higher wood pulp costs. Operating earnings, excluding asset impairments and restructuring charges, net, increased to \$300 million in 2009, which were the highest annual earnings for the Fibers segment compared to the previous high of \$238 million in 2008. The increased operating earnings were due to higher selling prices and cost reduction actions partially offset by lower sales volume.

Performance Chemicals and Intermediates – Sales revenue declined by 38 percent, and excluding contract ethylene sales declined by 29 percent, due primarily to lower selling prices. The lower selling prices were mostly due to lower raw material and energy costs. Operating earnings, excluding asset impairments and restructuring charges, net, in both periods and accelerated depreciation costs and other operating income in 2008, were \$69 million in 2009 compared to \$171 million in 2008. The decline was due to lower selling prices and costs related to the reconfiguration of the Longview, Texas, facility partially offset by lower raw material and energy costs and cost reduction actions.

Performance Polymers – Sales revenue declined by 33 percent, and excluding contract polymer intermediates sales declined by 23 percent, due to lower selling prices. The lower selling prices were primarily due to lower raw material and energy costs. Excluding asset impairments and restructuring charges, net, in both periods, and accelerated depreciation costs in 2008, operating results were a loss of \$62 million in 2009 compared to a loss of \$29 million in 2008. Operating results declined due to lower selling prices and the unfavorable impact on sales revenue and manufacturing costs of operational challenges with the South Carolina PET manufacturing facility partially offset by lower raw material and energy costs.

Specialty Plastics – Sales revenue declined by 19 percent due to lower sales volume and lower selling prices. The decline in sales volume was due to the global recession which weakened demand for plastic resins, including copolyester products sold into the consumer and durable goods markets, and for cellulosic plastics sold into various markets. The lower selling prices were due to lower raw material and energy costs, particularly for paraxylene. Excluding asset impairments and restructuring charges, net, in 2009 and other operating income in 2008, operating earnings were \$18 million in 2009 compared to \$33 million in 2008. The decline in operating earnings was due to lower sales volume and lower capacity utilization resulting in higher unit costs, and lower selling prices, partially offset by lower raw material and energy costs and cost reduction actions.

Cash Flow

Eastman generated \$758 million in cash from operating activities in 2009 compared to \$653 million in 2008. Cash from operating activities in 2009 included \$118 million of cash generated from reduced working capital and an approximately \$125 million positive cash flow impact from a change in the company's tax accounting method to accelerate the timing of deductions for manufacturing repairs expense. Cash used in operating activities included \$181 million for contributions to the U.S. defined benefit pension plan. As a result of the solid cash from operations and lower capital expenditures, the company generated \$320 million of free cash flow, defined as cash from operations less capital expenditures and dividends. During fourth quarter 2009, share repurchases totaled \$21 million.

Outlook

Commenting on the outlook for first quarter and full year 2010, Rogers said: “We move forward into 2010 with positive momentum given the solid earnings we delivered in the second half of 2009. We are in the early stages of a recovery in our sales volume, which we expect will continue through the year as the global economy improves. We also will continue to benefit in 2010 from the cost reduction actions we took in 2009. However, we expect raw material and energy costs to increase in 2010 compared with 2009. As a result, we expect first quarter 2010 earnings per share to be slightly higher than fourth quarter 2009 earnings per share of \$1.14. In addition, we remain confident in our ability to deliver 20 percent higher earnings per share in 2010 compared with 2009.” Charges related to restructuring and cost reduction actions are excluded from earnings per share.

Eastman will host a conference call with industry analysts on January 29 at 8:00 a.m. Eastern Time. To listen to the live webcast of the conference call and view the accompanying slides, go to www.investors.eastman.com, Presentations. To listen via telephone, the dial-in number is (913) 981-5578, passcode number 4566386. A web replay and the accompanying slides will be available at www.investors.eastman.com, Presentations. A telephone replay will be available continuously from 11:00 a.m. Eastern Time, January 29, to 12:00 a.m. Eastern Time, February 8, 2010, at 719-457-0820, passcode number 4566386.

Eastman’s chemicals, fibers and plastics are used as key ingredients in products that people use every day. Approximately 10,000 Eastman employees around the world blend technical expertise and innovation to deliver practical solutions. The company is committed to finding sustainable business opportunities within the diverse markets it serves. A global company headquartered in Kingsport, Tennessee, USA, Eastman had 2009 sales of \$5.0 billion. For more information, visit www.eastman.com.

Forward-Looking Statements: This news release includes forward-looking statements concerning current expectations for future economic and business conditions, the financial impact of past strategic portfolio and restructuring and cost reduction actions, demand and sales volumes for the company’s products, raw material and energy costs, and earnings per share for first quarter and full year 2010. Such expectations are based upon certain preliminary information, internal estimates, and management assumptions, expectations, and plans, and are subject to a number of risks and uncertainties inherent in projecting future conditions, events, and results. Actual results could differ materially from expectations expressed in the forward-looking statements if one or more of the underlying assumptions or expectations prove to be inaccurate or are unrealized. Important factors that could cause actual results to differ materially from such expectations are and will be detailed in the company’s filings with the Securities and Exchange Commission, including the Form 10-Q filed for third quarter 2009 available,

and the Form 10-K to be filed for 2009 and to be available, on the Eastman web site at www.eastman.com in the Investors, SEC filings section.

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Contacts:

Media: Tracy Broadwater
423-224-0498 / tkbroadwater@eastman.com

Investors: Greg Riddle
212-835-1620 / griddle@eastman.com

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 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)	\$ (32)	\$ (2)	\$ 136	\$ 346
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	\$ (0.44)	\$ (0.03)	\$ 1.88	\$ 4.59
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	\$ (0.44)	\$ (0.03)	\$ 1.85	\$ 4.55
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	\$ <u>1,328</u>	\$ <u>1,346</u>	\$ <u>5,047</u>	\$ <u>6,726</u>

TABLE 2B – SEGMENT SALES REVENUE CHANGE

(Dollars in millions)	Fourth Quarter 2009 Compared to Fourth 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	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	<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				
	Revenue % Change	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	<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 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			
		<u>Operating Earnings</u>	<u>Earnings Before Tax</u>	<u>Earnings After Tax</u>	<u>Earnings Per Diluted Share</u>
(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			
		<u>Operating Earnings</u>	<u>Earnings from Continuing Operations</u>		<u>Per Diluted Share</u>
		<u>Before Tax</u>	<u>After Tax</u>		
(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>