

# Eastman: A growth company

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Chairman and CEO



**EASTMAN**

# *Strategic shift yields an outperforming investment opportunity*

EPS growth

Approaching \$10 in 2013  
>10% CAGR 2010 – 2013

Earnings quality  
strengthened

Higher margins, more  
consistent growth

Solid  
balance sheet

Value-creating capital  
allocation is upside

Questions?

Total Operating Earnings by segment	2006	2010
CASPI	217	293
Asset impairments and Restructuring Charges	13	6
Excluding Items	230	299
Fibers	218	323
Asset impairments and Restructuring Charges	2	3
Excluding Items	220	326
PCI	125	224
Asset impairments and Restructuring Charges	20	7
Accelerated depreciation included in COGS	2	
Other operating charges	7	
Excluding Items	154	231
Specialty Plastics	39	88
Asset impairments and Restructuring Charges	16	5
Accelerated depreciation included in COGS	1	
Excluding Items	56	93
Other	(47)	(66)
Asset impairments and Restructuring Charges	4	8
Excluding Items	(43)	(58)
<b>Total Eastman Chemical Company</b>	<b>552</b>	<b>862</b>
Asset impairments and Restructuring Charges	55	29
Accelerated depreciation included in COGS	3	
Other operating charges	7	
Excluding Items	617	891

Note: For a description of the identified items, see the Management Discussion and Analysis section of Eastman's 2006 & 2010 10K filings with the Securities and Exchange commission

## Specialty Plastics Operating Earnings Reconciliation

(Dollars in millions)	2006	2007	2008	2009	2010
<b>As reported</b>	39	58	30	9	88
<b>Certain Items:</b>					
Accelerated depreciation costs included in costs of goods sold	1	1	-	-	-
Asset impairments and restructuring charges, net	16	1	-	4	5
Other operating (income)	-	-	(2)	-	-
Excluding items	<u>56</u>	<u>60</u>	<u>28</u>	<u>13</u>	<u>93</u>

## Performance Chemicals and Intermediates Operating Earnings Reconciliation

(Dollars in millions)	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>As reported</b>	9	(49)	(3)	142	125	218	143	41	224
<b>Certain Items:</b>									
Accelerated depreciation costs included in costs of goods sold	-	-	-	-	2	19	5	-	-
Asset impairments and restructuring charges, net	(1)	57	38	11	20	(1)	22	6	7
Other operating (income) charges	-	-	-	-	7	-	(9)	-	-
Excluding items	<u>8</u>	<u>8</u>	<u>35</u>	<u>153</u>	<u>154</u>	<u>236</u>	<u>161</u>	<u>47</u>	<u>231</u>

Note: 2002-2005 not adjusted for allocated costs not included in discontinued operations, some of which may remain and could be reallocated to the remaining segments (of approximately \$10M-\$20M).

Note: For a description of the identified items, see the Management Discussion and Analysis section of Eastman's 2002 – 2010 10K filings with the Securities and Exchange commission

### Earnings Per Share

	2006	2007	2008	2009	2010
<b>Earnings per diluted share from continuing operations</b>	\$ 4.35	5.18	\$ 4.54	\$ 2.09	\$ 5.75
<b>Earnings per share impact of:</b>					
Asset impairments and restructuring charges, net	0.50	(0.01)	0.22	1.74	0.24
Accelerated depreciation included in cost of sales	0.02	0.15	0.05	--	--
Other operating income	0.09		(0.13)	--	--
Early debt extinguishment costs				--	0.97
Net deferred tax benefits related to the previous divestiture of businesses	0.00	--	(0.18)	--	0.00
<b>Earnings per share from continuing operations excluding certain items</b>	<b>\$ 4.96</b>	<b>\$ 5.32</b>	<b>\$ 4.50</b>	<b>\$ 3.83</b>	<b>\$ 6.96</b>

Note: For a description of the identified items, see the Management Discussion and Analysis section of Eastman's 2006 – 2010 10K filings with the Securities and Exchange commission

**Return on Capital Reconciliation**

	2010	2009	2008
<b>Net earnings from continuing operations</b>	425	154	345
<b>Interest expense, net of 35% statutory tax</b>	68	55	61
<b>Net operating profit after tax</b>	493	209	406
<b>Certain Items:</b>			
<b>Accelerated depreciation</b>	-	-	3
<b>Asset impairments and restructuring charges, net of tax</b>	18	127	18
<b>Other operating (income) expense, net of tax</b>	-	-	(10)
<b>Early debt extinguishment costs, net of tax</b>	71	-	-
<b>Net deferred tax benefits related to the previous divestiture of business</b>	-	-	(14)
<b>Net operating profit excluding certain items, net of tax</b>	582	336	403
<b>Total stockholder's equity</b>	1,627	1,513	1,553
<b>Average stockholder's equity</b>	1,570 #	1,533 #	1,818
<b>Total borrowings</b>	1,604	1,604	1,455
<b>Average borrowings</b>	1,604	1,530	1,531
<b>Total average investment</b>	3,174	3,063	3,349
<b>Return on Capital</b>	18.3%	11%	12%

Note: For a description of the identified items, see the Management Discussion and Analysis section of Eastman's 2008 – 2010 10K filings with the Securities and Exchange commission