

# 2008 Databook

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*Eastman Chemical Company's products and operations are managed and reported in five reportable operating segments, consisting of the Coatings, Adhesives, Specialty Polymers, and Inks (CASPI) segment, the Fibers segment, the Performance Chemicals and Intermediates (PCI) segment, the Performance Polymers segment and the Specialty Plastics segment. Goods and services are transferred among the segments at cost.*

*Because the Company has exited the polyethylene terephthalate (PET) business in the European region, results from sales of PET products manufactured at the Spain, the Netherlands, and the United Kingdom sites, including impairments and restructuring charges of those operations, and gains and losses from disposal of those assets and businesses, are presented as discontinued operations and are excluded from results from continuing operations for all periods presented.*

# Eastman at a glance

## CASPI (Coatings, Adhesives, Specialty Polymers & Inks):

2008 Sales revenue:	\$1,524 Million
2008 Operating earnings:	\$ 197 Million
2008 Depreciation expense:	\$ 50 Million

**Key products:** *Coatings additives and solvents:* Cellulosic polymers, adhesion promoters, Eastman Texanol™ ester alcohol, oxygenated solvents *Adhesive materials:* Hydrocarbon resins, rosin resins, resin dispersion

**Key markets & applications:** *Coatings additives and solvents:* Architectural latex paints, automotive and industrial Original Equipment Manufacturer (OEM) paints, auto refinish paints, printing inks *Adhesive materials:* Resins used in adhesives for tapes, labels, packaging, nonwovens such as disposable diapers and polymers used in commercial roofing

**Key raw materials:** *Coatings additives and solvents:* Acetone, high sulphur coal, ethane, natural gas, propane, propylene, cellulose *Adhesive materials:* Styrene, C9 resin oil, natural gas, piperylene, propane, pygas, rosin

**Key competitors:** BASF SE, Dow Chemical Company, Exxon Mobil Corporation

## PCI (Performance Chemicals and Intermediates):

2008 Sales revenue:	\$2,160 Million
2008 Operating earnings:	\$ 171 Million
2008 Depreciation expense:	\$ 53 Million

**Key products:** Acetic anhydride, acetaldehyde, diketene derivatives, glycols, oxo derivatives, plasticizers, polymer intermediates, specialty anhydrides, specialty ketones

**Key markets & applications:** Agrochemical, automotive, beverages, pharmaceuticals, coatings, flooring, medical devices, toys, polymers, textiles, general industrial

**Key raw materials:** High sulfur coal, ethane, natural gas, propane

**Key competitors:** BASF Corporation, Celanese Corporation, Dow Chemical Company, Exxon Mobil Corporation

## Performance Polymers:

2008 Sales revenue:	\$1,074 Million
2008 Operating earnings (loss):	(\$ 29) Million
2008 Depreciation expense:	\$ 49 Million

**Key products:** Polyethylene Terephthalate (PET) polymers, polymer intermediates

**Key markets & applications:** Multiple packaging end uses including beverage, food, cosmetics, health care and pharmaceutical, household products, industrial; carpet fibers

**Key raw materials:** Paraxylene, purified terephthalic acid (PTA), ethylene glycol

**Key competitors:** DAK Americas, Indorama Group, INVISTA, Mossi & Ghi Group, Nan Ya Plastics Corporation USA, Wellman, Inc.

## Fibers:

2008 Sales revenue:	\$1,045 Million
2008 Operating earnings:	\$ 238 Million
2008 Depreciation expense:	\$ 50 Million

**Key products:** Acetate tow, acetate yarn, acetyl chemical products (including cellulose diacetate acetate flake, acetylation-grade acetic acid, acetic anhydride and Triacetin plasticizers)

**Key markets & applications:** Cigarette filters, apparel, home furnishings, industrial applications

**Key raw materials:** High sulfur coal, wood pulp, methanol

**Key competitors:** *Acetate tow:* Celanese Corporation, Daicel Chemical Industries, Ltd., Mitsubishi Rayon Co., Ltd., Rhodia S.A., and SK Chemical Industries

*Acetate yarn:* Industrias del Acetato de Celulosa S.A., Mitsubishi Rayon, Novaceta SpA, SK Chemical Industries, UAB Korelita

## Specialty Plastics:

2008 Sales revenue:	\$923 Million
2008 Operating earnings:	\$ 33 Million
2008 Depreciation expense:	\$ 53 Million

**Key products:** Specialty copolyesters (typically filling a market position between polycarbonate and acrylics) including Eastman Tritan™ copolyester, cellulose esters, cellulose plastics

**Key markets & applications:** Specialty packaging (medical and electronic component trays, shrink label films, general purpose packaging, and multilayer films); in-store fixtures and displays (point of purchase displays including indoor sign and store fixtures); consumer and durable goods (appliances, housewares, toys and sporting goods); medical goods (disposable medical devices, health care equipment and instruments, and pharmaceutical packaging); personal care and consumer packaging (food and beverage packaging and consumer packaging); photographic film, optical film, fibers/nonwovens and liquid crystal displays (LCD)

**Key raw materials:** Ethylene glycol, paraxylene, purified terephthalic acid (PTA), cellulose

**Key competitors:** *Copolyesters:* Bayer AG, Dow Chemical Company, Evonik Industries, Saudi Basic Industries Corporation (SABIC) *Cellulose esters:* Acetati Spa, Daicel Chemical Industries, Ltd.

## 2008 Sales revenue by market

23%	Packaging
18%	Tobacco
14%	Building and construction
11%	Consumables
11%	Industrial chemicals & processing
6%	Transportation
6%	Health & wellness
5%	Durable goods
2%	Agriculture
2%	Electronics
2%	Energy, fuels & water

Note: Operating results exclude asset impairments and restructuring charges (gains) and accelerated depreciation included in cost of goods sold. For additional information see "2008 Segment information" on page 8.

# Financial information

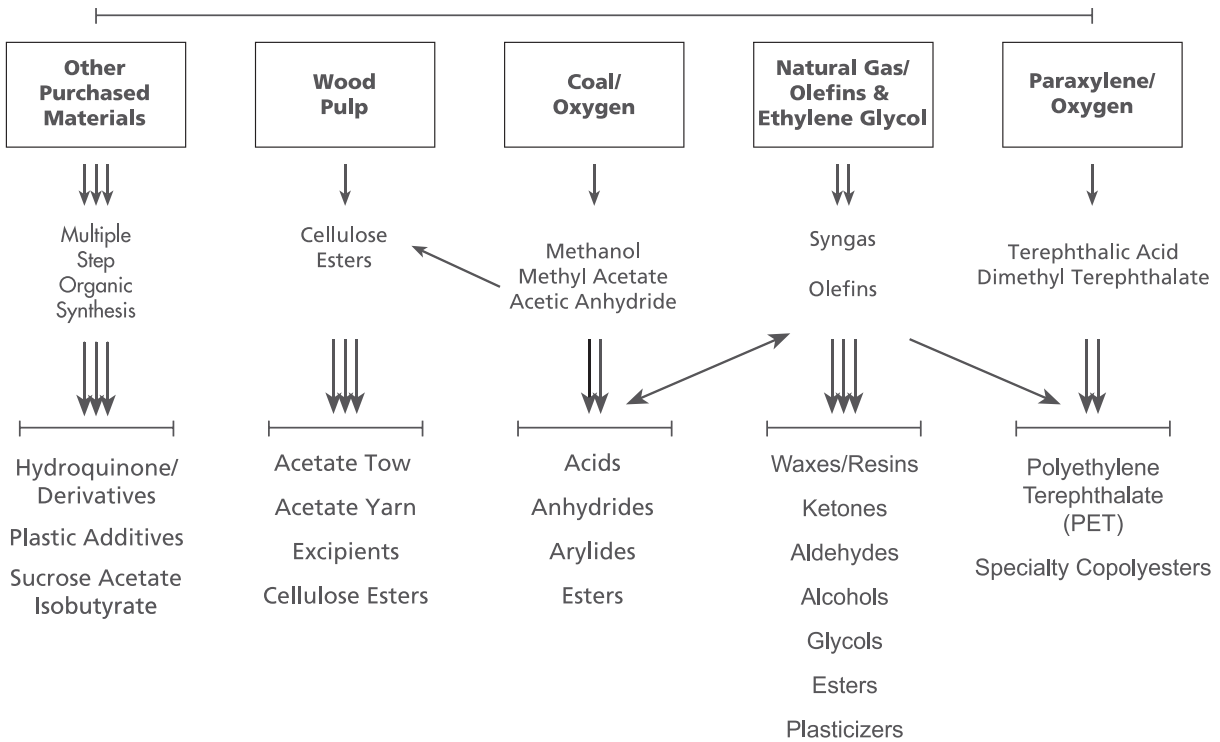
(Dollars in millions, except per share amounts)

	2008	2007	2006	2005	2004
<b>Selected operating items</b>					
Sales	\$6,726	\$6,830	\$6,779	\$6,460	\$6,019
Cost of sales	5,600	5,638	5,514	5,100	5,091
Gross profit	1,126	1,192	1,265	1,360	928
Selling and general administrative expenses	419	420	423	439	441
Research and development expenses	158	156	155	150	142
Asset impairments and restructuring charges, net	46	112	101	33	206
Other operating (income) expense	(16)	--	(68)	(2)	(7)
Operating earnings (loss)	519	504	654	740	146
Interest expense, net	70	62	77	100	115
Effective tax rate	24%	32%	28%	29%	N/A
Earnings from continuing operations	328	321	427	541	146
Earnings (loss) from discontinued operations, net of tax	--	(10)	(18)	16	24
Earnings (loss) from disposal of discontinued operations, net of tax	18	(11)	--	--	--
Net earnings (loss)	346	300	409	557	170
Diluted earnings from continuing operations per share	\$4.31	\$3.84	\$5.12	\$6.61	\$1.86
Diluted earnings (loss) from discontinued operations per share	\$0.24	(\$0.26)	(\$0.21)	\$0.20	\$0.32
Diluted earnings per share	\$4.55	\$3.58	\$4.91	\$6.81	\$2.18
Depreciation and amortization expenses	267	327	308	304	322
Accelerated depreciation	9	49	10	--	--
Earnings from continuing operations before interest, taxes, depreciation and amortization (EBITDA) <sup>1</sup>	790	900	1,004	1,180	481
Net cash provided by operating activities	653	732	609	769	494
Capital expenditures	650	518	389	343	248
Cash dividends per share	\$1.76	\$1.76	\$1.76	\$1.76	\$1.76
<b>Financial position</b>					
Working capital <sup>1</sup>	522	507	783	712	783
Total assets	5,281	6,009	6,132	5,737	5,839
Net debt <sup>1</sup>	1,068	719	653	1,101	1,737
Stockholders' equity	1,553	2,082	2,029	1,612	1,184
<b>Key ratios</b>					
Gross margin	17%	17%	19%	21%	15%
Operating margin	8%	7%	10%	11%	2%
Return on capital <sup>1</sup>	13%	11%	15%	21%	6%
Return on equity <sup>1</sup>	19%	15%	22%	40%	15%
Net debt to capital	41%	26%	24%	41%	59%
Interest coverage <sup>1</sup>	4.5x	4.6x	5.7x	6.6x	1.3x
Working capital as a percentage of sales	8%	7%	12%	11%	13%
<b>At end of year</b>					
Market price per share	\$31.71	\$61.09	\$59.31	\$51.59	\$57.73
Book value per share	\$21.42	\$26.09	\$24.27	\$19.75	\$14.95
Common shares outstanding (millions)	72.5	79.8	83.6	81.6	79.3
Shares used for earnings per share diluted calculation	76.0	83.9	83.2	81.8	78.3
Number of employees	10,500	10,500	11,000	12,000	12,000

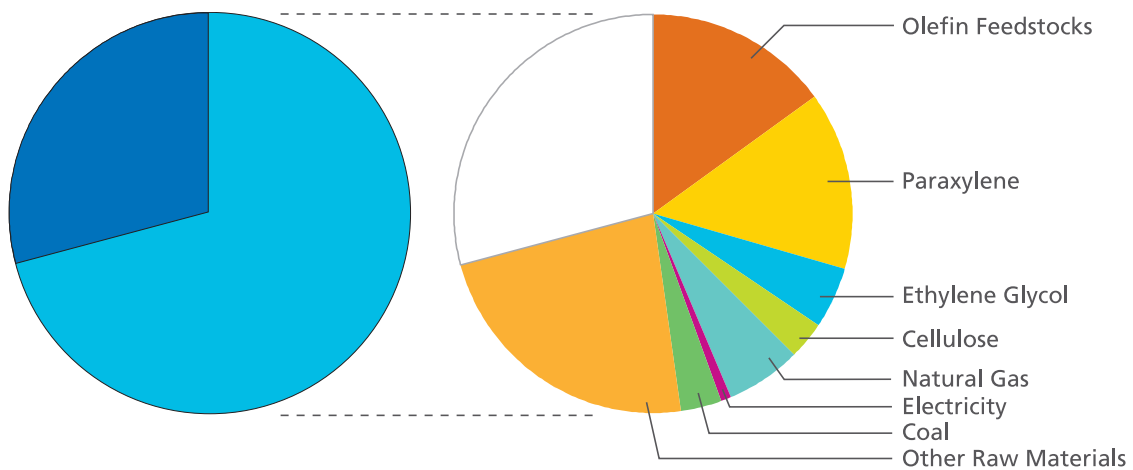
<sup>1</sup> See Exhibit A for a reconciliation of GAAP net earnings to EBITDA, and further detail regarding working capital, net debt, and key ratios.

# Product and raw material information

## How material flows through the Eastman pipeline



## 2008 total cost of operations\*



\*Total cost of operations includes cost of goods sold, SGA, and R&D.

# Annual capacities

	2008 Capacities (in millions)		2007 Capacities (in millions)		2006 Capacities (in millions)	
	lbs	kgs	lbs	kgs	lbs	kgs
<b>Chemicals</b>						
<b>Acetyl chemicals</b>						
Acetic acid	618	280	618	280	424	192
Acetic anhydride	1,524	691	1,524	691	1,607	729
Methanol	474	215	474	215	477	216
Propionic acid	179	81	173	78	155	70
<b>Ethylene</b>						
Ethylene	1313	596	1,713	777	1,735	787
<b>Ethylene Derivatives</b>						
Acetaldehyde	404	183	404	183	404	183
Ethylene glycol	224	102	226	103	232	105
Other ethylene derivatives	260	118	240	109	240	109
<b>Propylene</b>						
Propylene	578	262	688	312	702	318
<b>Oxo Products</b>						
Oxo aldehydes	2,017	915	1,925	873	1,925	873
Oxo alcohols	1,079	489	1,052	477	1,052	477
Plasticizers	524	238	524	238	524	238
NPG glycol	192	87	192	87	192	87
Ester solvents	344	156	344	156	344	156
Other	459	208	461	209	494	224
<b>Fibers</b>						
Acetate tow	403	183	380	172	380	172
Acetate yarn	49	22	49	22	49	22
<b>Plastics</b>						
PET (solid stated)	1,763	800	2,039	925	3,280	1,488

# Earnings per share

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	
<b>2008</b>	<b>Earnings (loss) per diluted share from continuing operations</b>	\$1.46	\$1.48	\$1.33	(\$0.03)	\$4.31
	<b>Earnings (loss) per share impact of:</b>					
	Asset impairments and restructuring charges, net	0.15	0.02	0.04	0.20	0.42
	Accelerated depreciation included in cost of goods sold	0.01	0.03	0.02	0.01	0.08
	Other operating income	--	--	--	(0.13)	(0.13)
	Net deferred tax benefits related to the previous divestiture of businesses	(0.14)	--	(0.04)	--	(0.18)
<b>Earnings per share from continuing operations excluding certain items</b>	<b>\$1.48</b>	<b>\$1.53</b>	<b>\$1.35</b>	<b>\$0.05</b>	<b>\$4.50</b>	
<b>2007</b>	<b>Earnings per diluted share from continuing operations</b>	\$1.10	\$1.19	\$0.30	\$1.25	\$3.84
	<b>Earnings (loss) per share impact of:</b>					
	Asset impairments and restructuring charges (gains), net	(0.01)	0.02	0.90	(0.08)	0.85
	Accelerated depreciation included in cost of goods sold	0.10	0.11	0.07	0.10	0.37
	<b>Earnings per share from continuing operations excluding certain items</b>	<b>\$1.19</b>	<b>\$1.32</b>	<b>\$1.27</b>	<b>\$1.27</b>	<b>\$5.06</b>
<b>2006</b>	<b>Earnings per diluted share from continuing operations</b>	\$1.33	\$1.39	\$1.14	\$1.26	\$5.12
	<b>Earnings (loss) per share impact of:</b>					
	Asset impairments and restructuring charges, net	\$0.09	0.03	0.09	0.62	0.84
	Other operating income	--	--	--	(0.81)	(0.82)
	Accelerated depreciation included in cost of goods sold	--	--	--	0.07	0.07
<b>Earnings per share from continuing operations excluding certain items</b>	<b>\$1.42</b>	<b>\$1.42</b>	<b>\$1.23</b>	<b>1.14</b>	<b>\$5.21</b>	
<b>2005</b>	<b>Earnings per diluted share from continuing operations</b>	\$1.86	\$2.44	\$1.48	\$0.85	\$6.61
	<b>Earnings (loss) per share impact of:</b>					
	Asset impairments and restructuring charges, net	0.07	0.08	0.03	0.09	0.27
	Other operating income	(0.01)	--	--	--	(0.01)
	Net deferred tax benefit related to assets in the CASPI segment	(0.14)	--	--	--	(0.14)
	Early extinguishment of debt costs	--	0.35	--	--	0.35
	Gain on sale of investment in Genencor	--	(1.35)	--	--	(1.35)
<b>Earnings per share from continuing operations excluding certain items</b>	<b>\$1.78</b>	<b>\$1.52</b>	<b>\$1.51</b>	<b>\$0.94</b>	<b>\$5.73</b>	
<b>2004</b>	<b>Earnings (loss) per diluted share from continuing operations</b>	(\$0.19)	\$0.96	\$0.45	\$0.64	\$1.86
	<b>Earnings (loss) per share impact of:</b>					
	Asset impairments and restructuring charges, net	0.59	0.79	0.40	0.14	1.93
	Other operating income	--	--	--	(0.13)	(0.14)
	Net deferred tax benefit related to assets held for sale	--	(1.04)	(0.10)	--	(1.15)
<b>Earnings per share from continuing operations excluding certain items</b>	<b>\$0.40</b>	<b>\$0.71</b>	<b>\$0.75</b>	<b>\$0.65</b>	<b>\$2.50</b>	

Note: Per share amounts other than 'earnings (loss) per share' have been adjusted to reflect the applicable tax rate; quarterly EPS calculations are discrete and cumulative amounts may differ from the full-year calculation. Share counts used to calculate earnings per share for respective quarters and years reflect changes due to the issuance and/or repurchase of shares during the specific period.

# 2008 segment information

(Dollars in millions)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
<b>CASPI segment</b>					
Sales	\$389	\$414	\$410	\$311	\$1,524
Operating earnings	59	53	55	35	202
Asset impairments and restructuring charges, net	--	(2) <sup>1</sup>	--	2 <sup>2</sup>	-- <sup>1,2</sup>
Other operating income	--	--	--	(5) <sup>3</sup>	(5) <sup>3</sup>
Operating earnings excluding asset impairment and restructuring charges, net and other operating income	59	51	55	32	197
Total assets					1,160
Capital expenditures					69
Depreciation expense					50
<b>Fibers segment</b>					
Sales	\$254	\$260	\$269	\$262	\$1,045
Operating earnings	68	62	65	43	238
Total assets					758
Capital expenditures					87
Depreciation expense					50
<b>PCI segment</b>					
Sales	\$556	\$618	\$594	\$392	\$2,160
Operating earnings (loss)	44	54	62	(7)	153
Accelerated depreciation included in cost of goods sold	1 <sup>4</sup>	1 <sup>4</sup>	2 <sup>4</sup>	1 <sup>4</sup>	5 <sup>4</sup>
Asset impairments and restructuring charges, net	16 <sup>5</sup>	3 <sup>5</sup>	1 <sup>5</sup>	2 <sup>2,5</sup>	22 <sup>2,5</sup>
Other operating income	--	--	--	(9) <sup>3</sup>	(9) <sup>3</sup>
Operating earnings (loss) excluding accelerated depreciation, asset impairment and restructuring charges, net, and other operating income	61	58	65	(13)	171
Total assets					844
Capital expenditures					126
Depreciation expense					53
<b>Performance Polymers segment</b>					
Sales	\$304	\$289	\$293	\$188	\$1,074
Operating (loss) earnings	(6)	2	(1)	(52)	(57)
Accelerated depreciation included in cost of goods sold	1 <sup>6</sup>	2 <sup>6</sup>	1 <sup>6</sup>	--	4 <sup>6</sup>
Asset impairments and restructuring charges, net	1 <sup>6</sup>	2 <sup>6</sup>	1 <sup>6,7</sup>	20 <sup>2,6</sup>	24 <sup>2,6,7</sup>
Operating (loss) earnings excluding accelerated depreciation and asset impairment and restructuring charges, net	(4)	6	1	(32)	(29)
Total assets					606
Capital expenditures					126
Depreciation expense					49
<b>Specialty Plastics segment</b>					
Sales	\$224	\$253	\$253	\$193	\$923
Operating earnings (loss)	17	13	6	(1)	35
Other operating income	--	--	--	(2) <sup>3</sup>	(2) <sup>3</sup>
Operating earnings (loss) excluding other operating income	17	13	6	(3)	33
Total assets					828
Capital expenditures					152
Depreciation expense					53
<b>Other</b>					
Sales	\$ --	\$ --	\$ --	\$ --	\$ --
Operating loss	(14)	(12)	(13)	(13)	(52)
Total assets					1,085 <sup>3</sup>
Capital expenditures					90
Depreciation expense					1
<b>Eastman Chemical Company</b>					
Sales	\$1,727	\$1,834	\$1,819	\$1,346	\$6,726
Operating earnings	168	172	174	5	519
Accelerated depreciation included in cost of goods sold	2 <sup>4,6</sup>	3 <sup>4,6</sup>	3 <sup>4,6</sup>	1 <sup>4</sup>	9 <sup>4,6</sup>
Asset impairments and restructuring charges, net	17 <sup>5,6</sup>	3 <sup>1,5,6</sup>	2 <sup>5,6,7</sup>	24 <sup>2,5,6</sup>	46 <sup>1,2,5,6,7</sup>
Other operating income	--	--	--	(16) <sup>3</sup>	(16) <sup>3</sup>
Operating loss excluding asset impairment and restructuring charges, net	187	178	179	14	558
Total assets					5,281
Capital expenditures					650
Depreciation expense					256

Note: See Exhibit B for footnotes.

# 2007 segment information

(Dollars in millions)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
<b>CASPI segment</b>					
Sales	\$345	\$376	\$368	\$362	\$1,451
Operating earnings	65	66	59	45	235
Asset impairments and restructuring charges (gains), net	--	--	(1) <sup>1</sup>	--	(1) <sup>1</sup>
Operating earnings excluding asset impairment and restructuring charges (gains), net	65	66	58	45	234
Total assets					1,114
Capital expenditures					73
Depreciation expense					53
<b>Fibers segment</b>					
Sales	\$234	\$239	\$258	\$268	\$999
Operating earnings	59	51	66	62	238
Total assets					692
Capital expenditures					87
Depreciation expense					57
<b>PCI segment</b>					
Sales	\$498	\$552	\$509	\$536	\$2,095
Operating earnings	54	57	50	59	220
Accelerated depreciation included in cost of goods sold	7 <sup>2</sup>	7 <sup>2</sup>	2 <sup>2</sup>	3 <sup>2</sup>	19 <sup>2</sup>
Asset impairments and restructuring charges (gains), net	--	--	(1) <sup>1</sup>	--	(1) <sup>1</sup>
Operating earnings excluding accelerated depreciation and asset impairment and restructuring charges (gains), net	61	64	51	62	238
Total assets					1,062
Capital expenditures					104
Depreciation expense					70
<b>Performance Polymers segment</b>					
Sales	\$348	\$382	\$340	\$343	\$1,413
Operating loss	(32)	(21)	(128)	(26)	(207)
Accelerated depreciation included in cost of goods sold	7 <sup>3</sup>	6 <sup>3</sup>	7 <sup>3</sup>	9 <sup>3</sup>	29 <sup>3</sup>
Asset impairments and restructuring charges (gains), net	--	1 <sup>4</sup>	114 <sup>4</sup>	(2) <sup>4</sup>	113 <sup>4</sup>
Operating earnings excluding accelerated depreciation and asset impairment and restructuring charges (gains), net	(25)	(14)	(7)	(19)	(65)
Total assets					727
Capital expenditures					126
Depreciation expense					81
<b>Specialty Plastics segment</b>					
Sales	\$212	\$215	\$217	\$228	\$872
Operating earnings	18	18	13	16	65
Accelerated depreciation included in cost of goods sold	--	1 <sup>3</sup>	--	--	1 <sup>3</sup>
Asset impairments and restructuring charges, net	--	1 <sup>5</sup>	--	--	1 <sup>5</sup>
Operating earnings excluding accelerated depreciation and asset impairment and restructuring charges (gains), net	18	20	13	16	67
Total assets					622
Capital expenditures					111
Depreciation expense					50
<b>Other</b>					
Sales	\$ --	\$ --	\$ --	\$ --	\$ --
Operating loss	(10)	(11)	(14)	(12)	(47)
Asset impairments and restructuring charges (gains), net	--	--	2 <sup>5</sup>	(2) <sup>5</sup>	--
Operating loss excluding asset impairment and restructuring charges, net	(10)	(11)	(12)	(14)	(47)
Total assets					1,417 <sup>6</sup>
Capital expenditures					17
Depreciation expense					2
<b>Eastman Chemical Company</b>					
Sales	\$1,637	\$1,764	\$1,692	\$1,737	\$6,830
Operating earnings	154	160	46	144	504
Accelerated depreciation included in cost of goods sold	14 <sup>2,3</sup>	14 <sup>2,3</sup>	9 <sup>2,3</sup>	12 <sup>2,3</sup>	49 <sup>2,3</sup>
Asset impairments and restructuring charges (gains), net	--	2 <sup>4,5</sup>	114 <sup>1,4,5</sup>	(4) <sup>4,5</sup>	112 <sup>1,4,5</sup>
Operating earnings excluding accelerated depreciation and asset impairment and restructuring charges (gains), net	168	176	169	152	665
Total assets (less assets held for sale)					5,634
Capital expenditures					518

Note: See Exhibit B for footnotes.

# 2006 segment information

<i>(Dollars in millions)</i>	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
<b>CASPI segment</b>					
Sales	\$349	\$362	\$367	\$343	\$1,421
Operating earnings	55	68	53	53	229
Asset impairments and restructuring charges, net	7 <sup>1</sup>	1 <sup>1</sup>	--	5 <sup>1</sup>	13 <sup>1</sup>
Operating earnings excluding asset impairment and restructuring charges, net	62	69	53	58	242
Total assets					1,078
Capital expenditures					60
Depreciation expense					54
<b>Fibers segment</b>					
Sales	\$230	\$238	\$228	\$214	\$910
Operating earnings	66	61	55	44	226
Asset impairments and restructuring charges, net	--	--	--	2 <sup>1</sup>	2 <sup>1</sup>
Operating earnings excluding asset impairment and restructuring charges, net	66	61	55	46	228
Total assets					651
Capital expenditures					44
Depreciation expense					41
<b>PCI segment</b>					
Sales	\$392	\$431	\$437	\$399	\$1,659
Operating earnings	41	45	22	24	132
Accelerated depreciation included in cost of goods sold	--	--	--	2 <sup>1</sup>	2 <sup>1</sup>
Asset impairments and restructuring charges, net	--	--	11 <sup>1</sup>	9 <sup>1</sup>	20 <sup>1</sup>
Other operating income	--	--	--	7 <sup>2</sup>	7 <sup>2</sup>
Operating earnings excluding accelerated depreciation, asset impairment and restructuring charges, net and other operating income	41	45	33	42	161
Total assets					926
Capital expenditures					66
Depreciation expense					59
<b>Performance Polymers segment</b>					
Sales	\$497	\$518	\$540	\$416	\$1,971
Operating earnings	21	14	18	15	68
Accelerated depreciation included in cost of goods sold	--	--	--	7 <sup>1</sup>	7 <sup>1</sup>
Asset impairments and restructuring charges, net	--	--	--	46 <sup>1</sup>	46 <sup>1</sup>
Other operating income	--	--	--	(75) <sup>3</sup>	(75) <sup>3</sup>
Operating earnings (loss) excluding accelerated depreciation, asset impairment and restructuring charges, net and other operating income	21	14	18	(7)	46
Total assets					1,480
Capital expenditures					125
Depreciation expense					93
<b>Specialty Plastics segment</b>					
Sales	\$187	\$202	\$207	\$222	\$818
Operating earnings (loss)	18	14	18	(4)	46
Accelerated depreciation included in cost of goods sold	--	--	--	1 <sup>1</sup>	1 <sup>1</sup>
Asset impairments and restructuring charges, net	--	--	--	16 <sup>1</sup>	16 <sup>1</sup>
Operating earnings excluding accelerated depreciation and asset impairment and restructuring charges, net	18	14	18	13	63
Total assets					599
Capital expenditures					94
Depreciation expense					47
<b>Other</b>					
Sales	\$ --	\$ --	\$ --	\$ --	\$ --
Operating loss	(13)	(12)	(10)	(12)	(47)
Asset impairments and restructuring charges, net	--	2 <sup>1</sup>	2 <sup>1</sup>	--	4 <sup>1</sup>
Operating loss excluding asset impairment and restructuring charges, net	(13)	(10)	(8)	(12)	(43)
Total assets					1,439 <sup>4</sup>
Capital expenditures					--
Depreciation expense					--
<b>Eastman Chemical Company</b>					
Sales	\$1,655	\$1,751	\$1,779	\$1,594	\$6,779
Operating earnings	188	190	156	120	654
Accelerated depreciation included in cost of goods sold	--	--	--	10 <sup>1</sup>	10 <sup>1</sup>
Asset impairments and restructuring charges, net	7 <sup>1</sup>	3 <sup>1</sup>	13 <sup>1</sup>	78 <sup>1</sup>	101 <sup>1</sup>
Other operating (income) charges	--	--	--	(68) <sup>2,3</sup>	(68) <sup>2,3</sup>
Operating earnings excluding accelerated depreciation, asset impairment and restructuring charges, net and other operating income	195	193	169	140	697
Total assets					6,173
Capital expenditures					389
Depreciation expense					294

Note: See Exhibit B for footnotes.

# 2005 segment information

(Dollars in millions)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
<b>CASPI segment</b>					
Sales	\$319	\$325	\$333	\$322	\$1,299
Operating earnings	67	64	63	34	228
Asset impairments and restructuring charges, net	1 <sup>1</sup>	1 <sup>1</sup>	1 <sup>1</sup>	1 <sup>1</sup>	4 <sup>1</sup>
Other operating income	(2) <sup>2</sup>	--	--	--	(2) <sup>2</sup>
Operating earnings excluding asset impairment and restructuring charges, net and other operating income	66	65	64	35	230
Total assets					1,009
Capital expenditures					46
Depreciation expense					55
<b>Fibers segment</b>					
Sales	\$200	\$205	\$228	\$236	\$869
Operating earnings	48	47	60	61	216
Total assets					678
Capital expenditures					28
Depreciation expense					35
<b>PCI segment</b>					
Sales	\$374	\$382	\$410	\$394	\$1,560
Operating earnings	44	45	40	14	143
Asset impairments and restructuring charges, net	4 <sup>1</sup>	--	--	7 <sup>1</sup>	11 <sup>1</sup>
Operating earnings excluding asset impairment and restructuring charges, net	48	45	40	21	154
Total assets					872
Capital expenditures					63
Depreciation expense					76
<b>Performance Polymers segment</b>					
Sales	\$495	\$498	\$527	\$467	\$1,987
Operating earnings	72	41	30	16	159
Total assets					1,575
Capital expenditures					137
Depreciation expense					74
<b>Specialty Plastics segment</b>					
Sales	\$177	\$180	\$179	\$182	\$718
Operating earnings	21	21	17	5	64
Total assets					574
Capital expenditures					67
Depreciation expense					47
<b>Other</b>					
Sales	\$21	\$3	\$2	\$1	\$27
Operating loss	(21)	(22)	(14)	(13)	(70)
Asset impairments and restructuring charges, net	4 <sup>1</sup>	9 <sup>1</sup>	3 <sup>1</sup>	2 <sup>1</sup>	18 <sup>1</sup>
Operating earnings excluding asset impairment and restructuring charges, net	(17)	(13)	(11)	(11)	(52)
Total assets					1,065 <sup>3</sup>
Capital expenditures					2
Depreciation expense					--
<b>Eastman Chemical Company</b>					
Sales	\$1,586	\$1,593	\$1,679	\$1,602	\$6,460
Operating earnings	231	196	196	117	740
Asset impairments and restructuring charges, net	9 <sup>1</sup>	10 <sup>1</sup>	4 <sup>1</sup>	10 <sup>1</sup>	33 <sup>1</sup>
Other operating income	(2) <sup>2</sup>	--	--	--	(2) <sup>2</sup>
Operating earnings excluding asset impairment and restructuring charges, net and other operating income	238	206	200	127	771
Total assets					5,773
Capital expenditures					343
Depreciation expense					287

Note: See Exhibit B for footnotes.

# 2004 segment information

(Dollars in millions)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
<b>CASPI segment</b>					
Sales	\$439	\$476	\$357	\$282	\$1,554
Operating earnings (loss)	28	(24)	37	23	64
Asset impairments and restructuring charges, net	6 <sup>1</sup>	69 <sup>1</sup>	4 <sup>1</sup>	2 <sup>1</sup>	81 <sup>1</sup>
Operating earnings excluding asset impairment and restructuring charges, net	34	45	41	25	145
Total assets					1,031
Capital expenditures					50
Depreciation expense					57
<b>Fibers segment</b>					
Sales	\$172	\$181	\$184	\$194	\$731
Operating earnings	35	37	45	38	155
Total assets					678
Capital expenditures					14
Depreciation expense					39
<b>PCI segment</b>					
Sales	\$281	\$305	\$357	\$361	\$1,304
Operating earnings (loss)	2	8	(11)	5	4
Asset impairments and restructuring charges, net	3 <sup>1</sup>	4 <sup>1</sup>	30 <sup>1</sup>	1 <sup>1</sup>	38 <sup>1</sup>
Operating earnings excluding asset impairment and restructuring charges, net	5	12	19	6	42
Total assets					876
Capital expenditures					65
Depreciation expense					87
<b>Performance Polymers segment</b>					
Sales	\$377	\$397	\$421	\$470	\$1,665
Operating earnings (loss)	(19)	10	1	4	(4)
Asset impairments and restructuring charges, net	11 <sup>1</sup>	1 <sup>1</sup>	1 <sup>1</sup>	--	13 <sup>1</sup>
Operating earnings (loss) excluding asset impairment and restructuring charges, net	(8)	11	2	4	9
Total assets					1,614
Capital expenditures					67
Depreciation expense					72
<b>Specialty Plastics segment</b>					
Sales	\$157	\$154	\$164	\$169	\$644
Operating earnings (loss)	(22)	18	18	(1)	13
Asset impairments and restructuring charges, net	46 <sup>1</sup>	4 <sup>1</sup>	3 <sup>1</sup>	--	53 <sup>1</sup>
Operating earnings (loss) excluding asset impairment and restructuring charges, net	24	22	21	(1)	66
Total assets					550
Capital expenditures					36
Depreciation expense					43
<b>Other</b>					
Sales	\$24	\$37	\$31	\$29	\$121
Operating loss	(20)	(18)	(21)	(27)	(86)
Asset impairments and restructuring charges, net	1 <sup>1</sup>	1 <sup>1</sup>	4 <sup>1</sup>	15 <sup>1</sup>	21 <sup>1</sup>
Other operating income	--	--	--	(7) <sup>2</sup>	(7) <sup>2</sup>
Operating loss excluding asset impairment and restructuring charges, net and other operating income	(19)	(17)	(17)	(19)	(72)
Total assets					1,090 <sup>3</sup>
Capital expenditures					16
Depreciation expense					4
<b>Eastman Chemical Company</b>					
Sales	\$1,450	\$1,550	\$1,514	\$1,505	\$6,019
Operating earnings	4	31	69	42	146
Asset impairments and restructuring charges, net	67 <sup>1</sup>	79 <sup>1</sup>	42 <sup>1</sup>	18 <sup>1</sup>	206 <sup>1</sup>
Other operating income	--	--	--	(7)	(7)
Operating earnings excluding asset impairment and restructuring charges, net and other operating income	71	110	111	53	345
Total assets					5,839
Capital expenditures					248
Depreciation expense					302

Note: See Exhibit B for footnotes.

# Exhibit A

## Key Financial Data

	2008	2007	2006	2005	2004
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>					
Net earnings from continuing operations	\$328	\$321	\$427	\$541	\$146
Interest expense	94	103	102	113	123
Taxes	101	149	167	222	(110)
Depreciation	256	313	294	287	302
Amortization	11	14	14	17	20
EBITDA	790	900	1,004	1,180	481
<b>Working capital</b>					
Accounts receivable	275	546	682	575	675
Inventories	637	539	682	671	582
Trade payables	390	578	581	534	474
Working capital	522	507	783	712	783
<b>Net debt</b>					
Total borrowings	1,455	1,607	1,592	1,625	2,062
Cash and cash equivalents	387	888	939	524	325
Net debt	1,068	719	653	1,101	1,737
<b>Interest coverage</b>					
Earnings from continuing operations before income taxes and cumulative effect of change in accounting principle	429	470	594	763	36
Add:					
Interest expense	94	103	102	113	123
Appropriate portion of rental expense	15	18	19	20	20
Amortization of capitalized interest	8	9	11	11	15
Earnings as adjusted	546	600	726	907	194
Fixed charges:					
Interest expense	94	103	102	113	123
Appropriate portion of rental expense	15	18	19	20	20
Capitalized interest	12	10	7	5	3
Total fixed charges	121	131	128	138	146
Ratio of earnings to fixed charges	4.5x	4.6x	5.7x	6.6x	1.3x
<b>Return on capital</b>					
Net earnings	346	300	409	557	170
Total stockholder's equity	1,553	2,082	2,029	1,612	1,184
Net debt	1,068	719	653	1,101	1,737
Total capital	2,621	2,801	2,682	2,713	2,921
Return on capital	13.20%	10.71%	15.25%	20.53%	5.82%

# Exhibit B

## Notes to segment information

### Year Footnote

2008

- 1 Amount reflects adjustment to reserve for first quarter divestiture of certain product lines
- 2 Amount reflects charges related to the Company's cost reduction efforts
- 3 Amount reflects gain on sale of certain mineral rights at an operating manufacturing site
- 4 Amount reflects accelerated depreciation costs related to the continuation of the planned staged phase-out of older cracking units at the Company's Longview, TX facility
- 5 Amount primarily reflects severance and pension costs from the decision to close a previously impaired site in the United Kingdom
- 6 Amount reflects accelerated depreciation costs and asset impairment and restructuring charges resulting from restructuring actions associated with higher cost PET polymer assets in Columbia, South Carolina
- 7 Amount reflects asset impairment charges related to fourth-quarter 2007 divestiture of facilities in Mexico and Argentina more than offset by a restructuring benefit from resolution of a contingency from the sale of the Company's PE and Epolene™ polymer businesses divested in fourth quarter 2006
- 8 Other includes unallocated corporate assets

2007

- 1 Amount reflects a reduction to previously recognized charges related to the Company's cost reduction efforts
- 2 Amount reflects accelerated depreciation costs related to the continuation of the planned staged phase-out of older cracking units at the Company's Longview, TX facility
- 3 Amount reflects accelerated depreciation costs resulting from restructuring actions associated with higher cost PET polymer assets in Columbia, South Carolina
- 4 Amount reflects costs associated with the PET manufacturing facilities in Mexico and Argentina
- 5 Amount reflects charges related to the Company's cost reduction efforts
- 6 Other includes unallocated corporate assets

2006

- 1 Amount reflects charges related to the Company's cost reduction efforts and employee separations
- 2 Amount reflects charges related to the sale of the Company's Batesville, Arkansas manufacturing facility and its related assets and product lines
- 3 Amount reflects a gain on the sale of the Company's polyethylene ("PE") and Epolene™ polymer businesses, related assets, and the Company's ethylene pipeline
- 4 Other includes unallocated corporate assets

2005

- 1 Amount reflects charges related to the Company's cost reduction efforts and employee separations
- 2 Amount reflects a gain related to the 2004 divestiture of certain businesses and product lines within the Coatings, Adhesives, and Specialty Polymers and Inks ("CASPI") segment
- 3 Other includes unallocated corporate assets

2004

- 1 Amount reflects charges related to the Company's cost reduction efforts and employee separations
- 2 Other operating income resulted from the sale of Ariel Research Corporation
- 3 Other includes unallocated corporate assets

# Exhibit C

## CASPI segment detail of sales revenue, operating earnings (loss), asset impairments and restructuring charges, and other income

<i>(Dollars in millions)</i>	First Quarter 2005	Second Quarter 2005	Third Quarter 2005	Fourth Quarter 2005	Twelve Months 2005
<b>Sales revenue</b>					
CASPI restructured, divested, and consolidated product lines <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -
Continuing product lines	319	325	333	322	1,299
Total sales revenue	\$ 319	\$ 325	\$ 333	\$ 322	\$ 1,299
<b>Operating earnings</b>					
CASPI restructured, divested, and consolidated product lines <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -
Continuing product lines	67	64	63	34	228
Total operating earnings	\$ 67	\$ 64	\$ 63	\$ 34	\$ 228
<b>Asset impairments and restructuring charges</b>					
CASPI restructured, divested, and consolidated product lines <sup>1</sup>	\$ 1	\$ 1	\$ 1	\$ 1	\$ 4
Continuing product lines	-	-	-	-	-
Total asset impairments and restructuring charges	\$ 1	\$ 1	\$ 1	\$ 1	\$ 4
<b>Other operating income</b>					
CASPI restructured, divested, and consolidated product lines <sup>1</sup>	\$ (2)	\$ -	\$ -	\$ -	\$ (2)
Continuing product lines	-	-	-	-	-
Total other operating income	\$ (2)	\$ -	\$ -	\$ -	\$ (2)

<i>(Dollars in millions)</i>	First Quarter 2004	Second Quarter 2004	Third Quarter 2004	Fourth Quarter 2004	Twelve Months 2004
<b>Sales revenue</b>					
CASPI restructured, divested, and consolidated product lines <sup>1</sup>	\$ 174	\$ 193	\$ 74	\$ -	\$ 441
Continuing product lines	265	283	283	282	1,113
Total sales revenue	\$ 439	\$ 476	\$ 357	\$ 282	\$ 1,554
<b>Operating earnings</b>					
CASPI restructured, divested, and consolidated product lines <sup>1,2</sup>	\$ (11)	\$ (72)	\$ (2)	\$ -	\$ (85)
Continuing product lines	41	48	40	23	152
Total operating earnings (loss)	\$ 30	\$ (24)	\$ 38	\$ 23	\$ 67
<b>Asset impairments and restructuring charges</b>					
CASPI restructured, divested, and consolidated product lines <sup>1</sup>	\$ 5	\$ 66	\$ 1	\$ -	\$ 72
Continuing product lines	1	3	3	2	9
Total asset impairments and restructuring charges	\$ 6	\$ 69	\$ 4	\$ 2	\$ 81

<sup>1</sup>Product lines that have been sold or eliminated as a result of restructuring, divestiture, or consolidation including those associated with assets held for sale.

<sup>2</sup>Includes allocated costs consistent with the Company's historical practices, some of which may remain and could be reallocated to the remainder of the segment and other segments.

# Exhibit D

## Performance Polymers segment detail of sales revenue and operating earnings (loss)

<i>(Dollars in millions)</i>	First Quarter 2008	Second Quarter 2008	Third Quarter 2008	Fourth Quarter 2008	Twelve Months 2008
Sales revenue - U.S. PET manufacturing facilities	\$ 304	\$ 289	\$ 293	\$ 188	\$ 1,074
Less: contract polymer intermediates sales <sup>1</sup>	56	26	35	21	138
Sales revenue - U.S. PET manufacturing facilities excluding contract sales	\$ 248	\$ 263	\$ 258	\$ 167	\$ 936
Operating earnings (loss) - PET product lines <sup>2</sup>	\$ (6)	\$ 2	\$ (1)	\$ (52)	\$ (57)
Less: operating loss from sales from Mexico and Argentina PET manufacturing facilities <sup>2,3</sup>	-	-	(3)	-	(3)
Operating earnings (loss) - U.S. PET manufacturing facilities <sup>2</sup>	\$ (6)	\$ 2	\$ 2	\$ (52)	\$ (54)
Operating earnings (loss) - excluding items - PET product lines <sup>1,2,4</sup>	\$ (4)	\$ 6	\$ 1	\$ (32)	\$ (29)
Less: operating loss excluding items from sales from Mexico and Argentina PET manufacturing facilities <sup>2,3,5</sup>	-	-	-	-	-
Operating earnings (loss) excluding items - U.S. PET manufacturing facilities <sup>2,6</sup>	\$ (4)	\$ 6	\$ 1	\$ (32)	\$ (29)

<sup>1</sup> 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.

<sup>2</sup> Includes allocated costs consistent with the company's historical practices, some of which may remain and could be reallocated to the remainder of the segment and other segments.

<sup>3</sup> Operating results included asset impairments and restructuring charges, net related to PET manufacturing facilities and related businesses in Mexico and Argentina divested in fourth quarter 2007.

<sup>4</sup> Items are accelerated depreciation costs of \$1 million, \$2 million, and \$1 million for first, second, and third quarters 2008, respectively, and asset impairments and restructuring charges, net of \$1 million, \$2 million, \$1 million, and \$20 million for first, second, third, and fourth quarters 2008, respectively.

<sup>5</sup> Items are asset impairments and restructuring charges, net relating to the Mexico and Argentina PET manufacturing facilities and were \$3 million in third quarter 2008.

<sup>6</sup> Items are accelerated depreciation costs and asset impairments and restructuring charges (gains) related to U.S. PET manufacturing sites. Asset impairments and restructuring charges (gains) were \$1 million, \$2 million, and \$(2) million for first, second, and third quarters 2008, respectively. Accelerated depreciation costs were \$1 million, \$2 million, \$1 million, and \$2 million for first, second, third, and fourth quarters 2008, respectively.

# Exhibit D (continued)

## Performance Polymers segment detail of sales revenue and operating earnings (loss)

<i>(Dollars in millions)</i>	First Quarter 2007	Second Quarter 2007	Third Quarter 2007	Fourth Quarter 2007	Twelve Months 2007
Sales revenue - PET product lines <sup>1</sup>	\$348	\$382	\$340	\$343	\$ 1,413
Less: sales from Mexico and Argentina PET manufacturing facilities <sup>2</sup>	125	110	90	88	413
Sales revenue - U.S. PET manufacturing facilities	223	272	250	255	1,000
Less: contract polymer intermediates sales <sup>3</sup>	-	-	-	15	15
Sales revenue - U.S. PET manufacturing facilities excluding contract sales	\$ 223	\$ 272	\$ 250	\$ 240	\$ 985
Operating loss - PET product lines <sup>1,4</sup>	\$ (32)	\$ (21)	\$ (128)	\$ (26)	\$ (207)
Less: operating loss from sales from Mexico and Argentina PET manufacturing facilities <sup>2,4</sup>	-	(4)	(121)	(2)	(127)
Operating loss - U.S. PET manufacturing facilities <sup>4</sup>	\$(32)	\$(17)	\$(7)	\$(24)	\$(80)
Operating loss excluding items - PET product lines <sup>1,4,5</sup>	\$ (25)	\$ (14)	\$ (7)	\$ (19)	\$ (65)
Less: operating loss excluding items from sales from Mexico and Argentina PET manufacturing facilities <sup>2,4,6</sup>	-	(4)	(4)	(4)	(12)
Operating loss excluding items - U.S. PET manufacturing facilities <sup>4,7</sup>	\$ (25)	\$ (10)	\$ (3)	\$ (15)	\$ (53)

<sup>1</sup> During 2007, the Performance Polymers segment consisted primarily of the Company's PET product lines, and also included various polymer intermediate derivatives. The PE product lines were divested in 2006.

<sup>2</sup> Sales revenue and operating results for 2007 included sales revenue from PET manufacturing facilities and related businesses in Mexico and Argentina divested in fourth quarter 2007. These sales are not presented as discontinued operations due to the Performance Polymers segment's continuing involvement in the Latin American region and polymer intermediates sales to the divested facilities.

<sup>3</sup> Sales revenue for 2007 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. Fourth quarter and full year 2007 amounts, previously reported as \$23 million, have been corrected to remove \$8 million in sales revenue reported in results from discontinued operations.

<sup>4</sup> Includes allocated costs consistent with the company's historical practices, some of which may remain and could be reallocated to the remainder of the segment and other segments.

<sup>5</sup> Items are accelerated depreciation costs, asset impairments and restructuring charges (gains), and other operating income. Asset impairments and restructuring charges (gains) were \$1 million, \$114 million and \$(2) million in second, third and fourth quarters 2007, respectively. Accelerated depreciation costs were \$7 million, \$6 million, \$7 million and \$9 million, first, second, third and fourth quarters 2007, respectively.

<sup>6</sup> Items are asset impairments and restructuring charges (gains) relating to the Mexico and Argentina PET manufacturing facilities, and were \$117 million and \$(2) million in third and fourth quarters 2007, respectively.

<sup>7</sup> Items are accelerated depreciation costs and asset impairments and restructuring charges (gains) related to U.S. PET manufacturing sites. Asset impairments and restructuring charges (gains) were \$1 million and \$(3) million in second and third quarters 2007, respectively. Accelerated depreciation costs were \$7 million, \$6 million, \$7 million, and \$9 million, in first, second, third, and fourth quarters 2007, respectively. (gains) were \$1 million and \$(3) million in second and third quarter second and third quarters 2007, respectively. Accelerated depreciation costs were \$7 million, \$6 million, \$7 million and \$9 million, first, second, third and fourth quarters 2007, respectively.

# Stockholder information

## Stock exchange listing

Eastman Chemical Company common stock is listed and traded on the New York Stock Exchange under the ticker symbol EMN.

## Dividends

Quarterly dividends on common stock, if declared by the Board of Directors, are usually paid on or about the first business day of the month following the end of each quarter. Dividends declared were \$1.76 in 2008, 2007 and 2006.

## Corporate offices

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Kingsport, TN 37660-5280 U.S.A.  
<http://www.eastman.com>

## Stock transfer agent and registrar

Inquiries and changes to stockholder accounts should be directed to our transfer agent:

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038

In the United States: 800-937-5449  
Outside the United States: (1) 212-936-5100  
or (1) 718-921-8200  
<http://www.amstock.com>

## Eastman stockholder information

877-EMN-INFO (877-366-4636)  
<http://www.eastman.com>

## Eastman databook

Eastman Chemical Company's databook has been developed to assist investors in understanding and evaluating Eastman. It provides financial and operations data and other information about the Company and its operating segments. The notes to the financial statements are not included. Complete financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations appear in Eastman's Annual Report on Form 10-K and Annual Report to Stockholders, both of which are available on <http://www.eastman.com>.

## Eastman investor relations

[http://www.eastman.com/Company/Investor\\_Relations/](http://www.eastman.com/Company/Investor_Relations/)  
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