UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **December 31, 2014**

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to _______________

Commission file number 1-12626

EASTMAN CHEMICAL COMPANY
(Exact name of registrant as specified in its charter)

Delaware	**62-1539359**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
200 South Wilcox Drive **Kingsport, Tennessee**	**37662**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(423) 229-2000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

PAGE 1 OF 150 TOTAL SEQUENTIALLY NUMBERED PAGES
EXHIBIT INDEX ON PAGE 147

	Yes	No
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	[X]	
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.		[X]
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.	[X]	
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).	[X]	

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

	Yes	No
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).		[X]

The aggregate market value (based upon the $87.35 closing price on the New York Stock Exchange on June 30, 2014) of the 148,065,837 shares of common equity held by non-affiliates as of December 31, 2014 was $12,933,550,862 using beneficial ownership rules adopted pursuant to Section 13 of the Securities Exchange Act of 1934 to exclude common stock that may be deemed beneficially owned as of December 31, 2014 by Eastman Chemical Company's ("Eastman" or the "Company") directors and executive officers and charitable foundation, some of whom might not be held to be affiliates upon judicial determination. A total of 148,647,456 shares of common stock of the registrant were outstanding at December 31, 2014.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2015 Annual Meeting of Stockholders (the "2015 Proxy Statement"), to be filed with the Securities and Exchange Commission, are incorporated by reference in Part III, Items 10 to 14 of this Annual Report on Form 10-K (this "Annual Report") as indicated herein.

EASTMAN

FORWARD-LOOKING STATEMENTS

Certain statements made in this Annual Report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act, Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities and Exchange Act of 1934, as amended. Forward-looking statements are all statements, other than statements of historical fact, that may be made by the Company from time to time. In some cases, you can identify forward-looking statements by terminology such as "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would," and similar expressions or expressions of the negative of these terms. Forward-looking statements may relate to, among other things, such matters as planned and expected capacity increases and utilization; anticipated capital spending; expected depreciation and amortization; environmental matters; pending and future legal proceedings; exposure to, and effects of hedging of, raw material and energy costs, foreign currencies and interest rates; global and regional economic, political, and business conditions; competition; growth opportunities; supply and demand, volume, price, cost, margin and sales; earnings, cash flow, dividends and other expected financial results and conditions; expectations, strategies, and plans for individual assets and products, businesses, and segments, as well as for the whole of Eastman; cash requirements and uses of available cash; financing plans and activities; pension expenses and funding; credit ratings; anticipated and other future restructuring, acquisition, divestiture, and consolidation activities; cost reduction and control efforts and targets; the timing and costs of, and benefits from, the integration of, and expected business and financial performance of, acquired businesses; strategic initiatives and development, production, commercialization and acceptance of new products, services and technologies and related costs; asset, business, and product portfolio changes; and expected tax rates and net interest costs.

Forward-looking statements are based upon certain underlying assumptions as of the date such statements were made. Such assumptions are based upon internal estimates and other analyses of current market conditions and trends, management expectations, plans, and strategies, economic conditions, and other factors. Forward-looking statements and the assumptions underlying them are necessarily subject to risks and uncertainties inherent in projecting future conditions and results. Actual results could differ materially from expectations expressed in the forward-looking statements if one or more of the underlying assumptions and expectations proves to be inaccurate or is unrealized. The most significant known factors, risks, and uncertainties that could cause actual results to differ materially from those in the forward-looking statements are identified and discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations- Risk Factors" in Part II, Item 7 of this Annual Report.

The Company cautions you not to place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report. Except as may be required by law, the Company undertakes no obligation to update or alter these forward-looking statements, whether as a result of new information, future events, or otherwise.

TABLE OF CONTENTS

EASTMAN

PART I

ITEM 1. BUSINESS

EASTMAN

CORPORATE OVERVIEW

Eastman Chemical Company ("Eastman" or the "Company") is a global specialty chemical company that produces a broad range of advanced materials, chemicals, and fibers that are found in products people use every day. Eastman began business in 1920 for the purpose of producing chemicals for Eastman Kodak Company's photographic business and became a public company, incorporated in Delaware, on December 31, 1993. Eastman has 51 manufacturing sites and equity interests in four manufacturing joint ventures in 15 countries that supply products to customers throughout the world. The Company's headquarters and largest manufacturing site are located in Kingsport, Tennessee.

The Company completed four acquisitions in 2014. On June 2, 2014, the Company acquired BP plc's global aviation turbine engine oil business (the "aviation turbine oil business"). On August 6, 2014, the Company acquired Knowlton Technologies, LLC ("Knowlton"), a leader in the design, accelerated prototyping, and manufacture of wet-laid nonwovens in filtration, friction, and custom designed composite webs. On December 5, 2014, Eastman acquired Taminco Corporation (”Taminco”), a global specialty chemical company. On December 11, 2014 Eastman acquired Commonwealth Laminating & Coating, Inc. (“Commonwealth”), a specialty films business. As of the date of acquisitions, results of the acquired businesses are included in Eastman results. For additional information on these acquisitions see Note 2 "Acquisitions" to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K (this "Annual Report"). As required by Securities and Exchange Commission ("SEC") rules, certain pro forma combined financial information giving effect to the acquisition of Taminco is presented in the Company’s Current Report on Form 8-K/A filed with the SEC on February 19, 2015.

On July 2, 2012, the Company acquired Solutia Inc. ("Solutia"), a global leader in performance materials and specialty chemicals. In order to provide the most meaningful comparison of results, some of the corporate and segment information in this Annual Report on Form 10-K (this "Annual Report") includes certain results on a pro forma combined basis, giving effect to the acquisition of Solutia as if it had been completed at the beginning of 2012. For additional information on the assumptions and related matters considered in connection with the presentation of information on a pro forma combined basis, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP and Pro Forma Combined Financial Measures" in Part II, Item 7 of this Annual Report.

Eastman's businesses are managed and reported in five reporting segments: Additives & Functional Products ("AFP"), Adhesives & Plasticizers ("A&P"), Advanced Materials ("AM"), Fibers, and Specialty Fluids & Intermediates ("SFI"). Taminco’s former specialty amines and crop protection businesses are managed and reported in the AFP segment. The acquired Commonwealth business is managed and reported in the AM segment. Taminco's former functional amines business and the acquired aviation turbine oil business are managed and reported in the SFI segment. Eastman management believes that the Company's end-market diversity is a source of strength, and that many of the markets into which the Company’s products are sold are benefiting from longer-term global trends such as energy efficiency, a rising middle class in emerging economies, and an increased focus on health and wellness. Management believes that these trends, combined with the diversity of the Company's end markets, facilitate more consistent demand for the Company's products over time. The businesses acquired from Taminco are expected to provide additional opportunities for growth in agriculture, personal care, coatings, and oil and gas markets. Eastman is focused on consistent earnings growth through a market-driven approach that takes advantage of the Company's existing technology platforms, global market and manufacturing presence, and leading positions in key end markets.

In 2014, the Company reported sales revenue of $9.5 billion, operating earnings of $1.2 billion, and earnings from continuing operations of $749 million. Earnings per diluted share from continuing operations were $4.95. Asset impairments and restructuring charges and acquisition-related costs included in operating earnings were $77 million and $70 million, respectively. Additionally, operating earnings included a mark-to-market ("MTM") pension and other postretirement benefits plans actuarial net loss of $304 million.

Business Strategy

Eastman's objective is to be an outperforming specialty chemical company with consistent earnings growth and strong cash flow. The Company sells differentiated products into diverse markets and geographic regions. Eastman works with customers to meet their needs in existing and new markets through development of innovative products and technologies. Management believes that the Company can deliver consistent financial results by leveraging the Company's world class technology platforms, improving product mix through innovation, sustaining and expanding advantaged market positions and leveraging advantaged cost positions. Consistently increasing earnings are expected to result from both organic (internal) growth initiatives and inorganic (external growth through joint ventures and acquisitions) initiatives.

In 2014, the Company progressed on both organic and inorganic growth initiatives, including:

- completing the acquisition of Taminco, which is expected to:
    - strengthen Eastman's presence in attractive niche markets benefiting from megatrends;
    - leverage a world-class technology platform underpinned by a business model similar to Eastman's;
    - provide synergy opportunities; and
    - accelerate revenue and earnings growth prospects;
- completing the integration of Solutia;
- in the AFP segment:
    - proceeding with a 40,000 metric ton expansion of the Crystex® insoluble sulfur rubber additives manufacturing facility in Kuantan, Malaysia, expected to be operational in the first half of 2017, and retrofitting an existing manufacturing facility in Germany expected to be operational in the second half of 2015. These actions are expected to capitalize on recent enhancements of technology for the manufacture of Crystex® insoluble sulfur by improving the Company's cost position and enhancing product characteristics; and
    - adding Taminco's former specialty amines and crop protection businesses;
- in the A&P segment, completing a capacity expansion of Eastman 168™ non-phthalate plasticizers at the manufacturing facility in Texas City, Texas in second quarter 2014;
- in the AM segment:
    - completing an expansion of Eastman Tritan™ copolyester capacity and beginning an additional 60,000 metric ton expansion of Eastman Tritan™ copolyester capacity at the Kingsport, Tennessee manufacturing facility in fourth quarter 2014 which is expected to be operational in early 2017 to meet expected demand for Eastman Tritan™ copolyester; and
    - completing the acquisition of Commonwealth to strengthen the window film product portfolio, add industry leading protective film technology, and increase scale cost efficiencies;
- in the SFI segment:
    - completing the acquisition of the aviation turbine oil business to broaden Eastman product offerings to better supply the global aviation industry;
    - continuing a Therminol® heat transfer fluid capacity expansion in Newport, Wales, which is expected to be operational in the second half of 2015 to support expected long-term demand growth in the industrial chemicals and processing market; and
    - adding Taminco's former functional amines business; and
- completing the acquisition of Knowlton Technologies, a leader in wet-laid nonwovens, to accelerate the innovation cycle for the Eastman™ microfibers technology platform.

The Company benefits from proprietary technologies and advantaged feedstocks, and is focusing on sustainability as a competitive strength for growth. Eastman has developed new products and technologies that enable customers' development and sales of sustainable products. Examples of Eastman’s leading position in providing sustainable solutions are Eastman Tritan™ copolyester, Saflex® acoustic and acoustic heads up display (“HUD”), Eastman Omnia™ high performance solvent, and Eastman 168™ non-phthalate plasticizers.

Management is actively pursuing additional opportunities to leverage world class technology platforms for continued near- and long-term growth both sustaining our leadership in existing markets and expanding into new markets. Examples of these technologies include cellulose esters for tires and packaging and Eastman™ Microfibers technology.

Financial Strategy

In addition to managing its businesses and growth initiatives, the Company remains committed to maintaining a strong financial position with appropriate financial flexibility and liquidity. Eastman management believes maintaining a financial profile that supports an investment grade credit rating is important to its long term strategic and financial flexibility. The Company employs a disciplined and balanced approach to capital allocation and deployment of cash. As described above, the Company pursues a variety of organic growth opportunities and also considers inorganic growth opportunities, including joint ventures and acquisitions. The Company also returns cash to stockholders through dividends and, from time to time, share repurchases. The Company manages its debt based upon its capital structure objectives, funding requirements, and public and private debt market conditions. Management expects that the combination of strong cash flow generation and liquidity and a solid balance sheet will continue to provide flexibility to pursue growth.

BUSINESS SEGMENTS

The Company's products and operations are managed and reported in five reporting segments: Additives & Functional Products ("AFP"), Adhesives & Plasticizers ("A&P"), Advanced Materials ("AM"), Fibers, and Specialty Fluids & Intermediates ("SFI"). This organizational structure is based on the management of the strategies, operating models, and sales channels that the various businesses employ. Sales revenue and research and development ("R&D") costs, certain components of pension and other postretirement benefits gains, losses, and costs, and other expenses and income not identifiable to an operating segment are not included in segment operating results for any of the periods presented and are shown as "other" sales revenue and "other" operating earnings (loss). For identification of manufacturing sites see Item 2 "Properties" in Part II, Item 8 of this Annual Report. For additional information concerning the Company's operating segments, see Note 20, "Segment Information", to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report.

ADDITIVES & FUNCTIONAL PRODUCTS SEGMENT

- **Overview**

In the AFP segment, the Company manufactures chemicals for products in the coatings and tires industries in transportation, building and construction, durable goods, and consumables markets. The recently acquired specialty amines and crop protection products are primarily for personal care and agriculture markets. In 2014, the AFP segment had sales revenue of $1.8 billion, 19 percent of Eastman's total sales. Key technology platforms in this segment are propylene derivatives, alkylamine derivatives, insoluble sulfur, cellulose esters, polyester polymers, and hydrocarbon resins.

AFP sales growth is typically similar to general economic growth due to the wide variety of end uses such as tires, coatings, consumables, and feed additives. The segment is focused on high-value additives that provide critical functionality but which comprise a small percentage of total customer product cost. The segment principally competes on the unique performance characteristics of its products and through leveraging its strong customer base and long-standing customer relationships to promote substantial recurring business and product development. Some competitors may commit greater financial and other resources than Eastman to products in markets in which the AFP segment competes. Additionally, within each segment product market, the Company may compete with other smaller, regionally focused companies that may have advantages based upon location, local market knowledge, manufacturing strength in a specific product, or other similar factors.

- **Principal Products**

Product	Description	Principal Competitors	Key Raw Materials	End-Use Applications
Coatings Industry and Other Formulated Products				
Solvents • Texanol™ • ketones • esters • glycol ethers • alcohol solvents	specialty coalescents, specialty solvents, and commodity solvents	BASF SE The Dow Chemical Company	propane propylene ethane	*Coatings Industry* Building and construction (architectural coatings) Transportation (OEM) and refinish coatings Durable goods (industrial coatings applications) *Other Formulated Products* Distribution solvents (olefin derived solvents sold through distribution) Consumables (graphic arts, cleaners, packaging) Industrial chemicals (process solvents and intermediates)
Polymers • cellulosics • polyesters • polyolefins	paint additives and specialty polymers	Alternative technologies	wood pulp propylene propane	*Coatings Industry* Transportation (OEM and refinish coatings) Durable goods (wood and industrial coatings applications) *Other Formulated Products* Consumables (graphic arts and inks) Health and wellness (pharmaceutical and personal care)

Product	Description	Principal Competitors	Key Raw Materials	End-Use Applications
Tires Industry				
Crystex®	insoluble sulfur rubber additive	Oriental Carbon & Chemicals Limited Shikoku Chemicals Corporation	naphthenic process oil sulfur	Transportation (tire manufacturing) Other rubber products (such as hoses, belts, seals, and footwear)
Santoflex®	antidegradant rubber additive	Jiangsu Sinorgchem Technology Co, Ltd. Korea Kumho Petrochemical Co. Ltd. Lanxess AG	nitrobenzene aniline methyl isobutyl ketone	Transportation (tire manufacturing) Other rubber products (such as hoses, belts, seals, and footwear)
Piccotac® Kristalex®	hydrocarbon resins	Cray Valley Hydrocarbon Specialty Chemicals Exxon Mobil Corporation Kolon Industries Incorporated	alpha methylstyrene piperylene styrene	Transportation (tire manufacturing)
Specialty Amines				
Specialty intermediates	amine-derivative-based building blocks	BASF	ethylene oxide ammonia alcohols	Personal care Water treatment
Performance products	branded amine based products for niche applications	BASF The Dow Chemical Company Huntsman Corporation	ethyl oxide butylamines	Coatings Animal nutrition Oil and gas Metal working fluids
Formic acid solutions	formic-acid based solutions	BASF Perstorp Luxi Chemical Group Feicheng Acid Chemicals	sulfuric acid formic acid	Animal nutrition De-icing
Crop Protection				
Alkylamine derivatives	metam based soil fumigants thiram and ziram based fungicides plant growth regulator	The Dow Chemical Company Argo-Kanesho Co Ltd Bayer BASF	alkylamines CS2 caustic soda	Agriculture Crop protection

	Percentage of Total Segment Sales			
Product Lines	**2014**	**2013**	**2012 Pro Forma Combined** [(1)]	**2012**
Coatings Industry and Other Formulated Products	66%	66%	66%	80%
Tires Industry	31%	34%	34%	20%
Specialty Amines and Crop Protection	3%	-	-	-

(1) "2012 Pro Forma Combined" gives effect to the acquisition of Solutia as if it had been completed at January 1, 2012.

- **Strategy**

A key element of the AFP segment's strategy is to leverage proprietary technologies for the continued development of innovative product offerings and to focus growth efforts on expanding end markets such as coatings, tires, and consumables. Eastman management believes that the ability to leverage the AFP segment's research, application development, and production capabilities across multiple markets makes the segment uniquely positioned to meet evolving needs to improve the quality and performance of its customers' products. For example, new government regulatory requirements are causing tire manufacturers to value innovative materials to help improve fuel efficiency. Eastman’s tire additives technology allows tire manufacturers to enhance fuel efficiency performance without compromising other critical properties like handling and wet traction. In order to address identified market needs, the Company is also developing new technologies such as polyesters for coatings, sustainable solvents, and hydrocarbon resins for tires.

In addition, the acquired Taminco specialty amines and crop protection businesses are expected to enhance Eastman’s presence and provide additional opportunities for AFP growth in attractive niche markets including personal care, coatings, oil and gas, and feed and animal nutrition markets.

The Company is proceeding with a 40,000 metric ton expansion of the Crystex® insoluble sulfur rubber additives manufacturing facility in Kuantan, Malaysia, expected to be operational in the first half of 2017, and retrofitting an existing manufacturing facility in Germany expected to be operational in the second half of 2015. These actions are expected to capitalize on recent enhancements of technology for the manufacture of Crystex® insoluble sulfur by improving the Company's cost position and enhancing product characteristics.

The Company's global manufacturing presence is a key element of the AFP segment's growth strategy. For example, the segment expects to capitalize on industrial growth in China and other parts of Asia from its planned manufacturing capacity expansion in Malaysia and cellulose ester products sourced from our low cost acetyl manufacturing stream in North America.

ADHESIVES & PLASTICIZERS SEGMENT

- **Overview**

The A&P segment focuses on producing intermediate chemicals rather than finished products and developing long-term, strategic relationships to enable customers' growth in their end markets. In 2014, the A&P segment had sales revenue of $1.4 billion, 15 percent of Eastman's total sales. Key technology platforms in this segment are the integrated olefins and polyesters platforms as well as the hydrocarbon resins platform.

In the A&P segment, Eastman manufactures adhesives resins and plasticizers which are used in the manufacture of products sold into consumables, building and construction, health and wellness, industrial chemicals and processing, and durable goods markets. Market growth for adhesives resins in emerging markets such as China, Eastern Europe, and Latin America continues to be higher than regional economic growth, mainly due to growing use of consumables in these emerging economies. Use of non-phthalate plasticizers in the United States, Canada, and Europe continues to increase more than general economic growth due to increasing regulatory requirements and consumer preferences. In addition, the segment is expected to benefit from recovery in the North American building and construction industry and the shift of vinyl flooring production to the United States from Asia Pacific. Some of the segment's products are sensitive to periods of supply and demand imbalance, either when incremental capacity additions are not offset by corresponding increases in demand or when demand exceeds existing supply. Industry supply of some adhesives resins products is affected by changes in the availability of key raw materials. In addition to leveraging integrated manufacturing facilities and scale of production, the segment is well positioned to capitalize on meeting evolving market needs and supporting adoption of Eastman products in new or existing customer formulations. Major competitors in this segment include large, multinational companies. The segment competes primarily based on the breadth of its product portfolio, performance, and price.

- **Principal Products**

Product	Description	Principal Competitors	Key Raw Materials	End-Use Applications
Adhesives Resins				
Piccotac™ Regalite™ Eastotac™ Eastoflex™	hydrocarbon resins and rosin resins mainly for hot-melt and pressure sensitive adhesives	Exxon Mobil Corporation Kolon Industries, Inc.	piperylene C9 resin oil gum rosin	Consumables (resins used in hygiene and packaging adhesives) Building and construction (resins for construction adhesives and interior flooring)
Plasticizers				
Eastman 168™ Eastman™ DOP Benzoflex™ Eastman TXIB™	primary non-phthalate and phthalate plasticizers and a range of niche non-phthalate plasticizers	BASF SE Exxon Mobil Corporation LG Chem, Ltd. Emerald Performance Materials	propane propylene paraxylene	Building and construction (non-phthalate plasticizers used in interior surfaces) Consumables (food packaging, packaging adhesives, and glove applications) Health and wellness (medical devices)

	Percentage of Total Segment Sales		
Product Lines	2014	2013	2012
Adhesives Resins	53%	52%	55%
Plasticizers	47%	48%	45%

- **Strategy**

A key element of the A&P segment's strategy for growth is to leverage Eastman's leading positions and market insights in high-growth hygiene, consumables, durables, and non-phthalate plasticizer applications. The A&P segment focuses on developing and accessing markets with high-growth potential for the Company's products. Key growth markets for the A&P segment are consumables such as hygiene and packaging and flexible plastic products used in sensitive applications. For hygiene and packaging applications, the segment's strategy is to enhance customer options for hot-melt packaging adhesives and to enable customers to meet changing and growing needs in hygiene products. For flexible plastic products used in sensitive applications, the segment's strategy is to develop and provide sustainable alternatives to ortho-phthalate plasticizers traditionally used in toys, child care articles, medical packaging and devices, and food contact items. The segment's regional focus is mainly to leverage its leading cost position in North America and Europe for plasticizers and to serve global markets for adhesives.

Eastman management believes that the ability to leverage the A&P segment's strong technical capabilities across multiple markets makes the segment uniquely positioned to meet evolving market needs and support adoption of Eastman products in new or additional customer formulations. Innovation efforts are focused on improving process efficiency and feedstock flexibility enabling low cost capacity additions, developing products addressing increasing customer quality needs for adhesives, and further enabling customer switching to non-phthalate plasticizers.

In 2014 the Company completed an expansion of its Eastman 168™ non-phthalate plasticizers manufacturing capacity at its Texas City, Texas site.

In addition, the Company and Sinopec Yangzi Petrochemical Company Limited continue to evaluate the timing of a joint project to build a 50,000 metric ton hydrogenated hydrocarbons resin plant in Nanjing, China which will support expected demand growth for its products in hygiene and packaging applications in that region.

ADVANCED MATERIALS SEGMENT

- **Overview**

In the AM segment, the Company produces and markets specialty copolyesters, cellulose esters, interlayers, and aftermarket window film products that possess differentiated performance properties for value-added end uses in transportation, consumables, building and construction, durable goods, and health and wellness products. In 2014, the AM segment had sales revenue of $2.4 billion, 25 percent of Eastman's total sales.

Eastman has strong technical and market development capabilities that enable the segment to modify its polymers, films, and plastics to control and customize their final properties for new application development to deliver more functionality. Examples include providing a balance of performance attributes, practical processing, and Bisphenol A (“BPA”) free and sustainability solutions with Tritan™ copolyester in the specialty plastics product line, and sound reduction and heat control in the interlayers product line. Additionally, these capabilities allow the Company to maintain what management believes is its leading solar control technology position in the window film market through the use of high performance sputter coatings which enhance solar heat rejection while maintaining superior optical properties. The segment principally competes on differentiated technology and application development capabilities. Management believes the AM segment's competitive advantages also include long-term customer relationships, vertical integration and scale in manufacturing, and leading market positions.

- **Principal Products**

Product	Description	Principal Competitors	Key Raw Materials	End-Use Applications
Specialty Plastics				
Eastar™ copolyesters Eastman Tritan™ copolyester Eastman Visualize™ Material Eastman Embrace™ copolyester Eastman Spectar™ copolyester Eastman Aspira™ family of resins Flexvue®	specialty copolyesters and cellulose esters	Bayer AG Styron LLC Evonik Industries AG Saudi Basic Industries Corporation Mitsubishi Chemical Corporation S.K. Chemical Industries Sichuan Push Acetati Company Limited Daicel Chemical Industries Ltd	paraxylene ethylene glycol cellulose	Consumables (Specialty copolyesters used in consumer packaging, personal care and cosmetics packaging, in-store fixtures and displays) Durable goods (consumer housewares and appliances) Health and wellness (medical) Electronics (displays)
Interlayers				
Saflex® Saflex® Q Series	polyvinyl butyral ("PVB") sheet specialty PVB intermediates	Sekisui Chemical Co., Ltd. Kuraray Co., Ltd	polyvinyl alcohol vinyl acetate monomer butyraldehyde 2-ethyl hexanol ethanol	Transportation (automotive safety glass, automotive acoustic glass, and HUD) Building and construction (PVB for architectural interlayers)
Performance Films				
LLumar® SunTek® V-KOOL® Gila®	window film and protective film products for aftermarket applied films	3M Company Saint-Gobain S.A. Garware Chemicals Limited	polyethylene terephthalate film	Transportation (automotive after-market window film) Building and construction (residential and commercial window films)

	Percentage of Total Segment Sales			
Product Lines	**2014**	**2013**	**2012 Pro Forma Combined** [1]	**2012**
Specialty Plastics	54%	53%	52%	69%
Interlayers	34%	34%	34%	23%
Performance Films	12%	13%	14%	8%

(1) "2012 Pro Forma Combined" gives effect to the acquisition of Solutia as if it had been completed at January 1, 2012.

- **Strategy**

Management believes that the segment has significant opportunities to leverage technology platforms into new products and applications, accelerate its growth, and further leverage its manufacturing capacity. The segment is working to expand its portfolio of higher margin products in attractive end markets. Through Eastman's advantaged asset position and expertise in applications development, management believes that the AM segment is well positioned for future growth. An example is Eastman Tritan™ copolyester used in small appliance applications where the combination of toughness, durability and design flexibility provides clear advantages over glass or lower performance polymer materials. The interlayers product lines, including HUD and acoustic PVB sheet, leverage Eastman's global presence to deliver industry leading innovations to automotive and architectural end markets by collaborating with global and large regional customers. In the automotive end market, the performance films product line has industry leading technologies, recognized brands, and what management believes is one of the largest distribution and dealer networks which, when combined, position Eastman for further growth, particularly in leading automotive markets such as North America and Asia. The segment’s product portfolio is aligned with underlying trends toward energy efficiency in both automotive and architectural markets. Additionally, increased demand for BPA-free products has created new opportunities for various applications of copolyesters.

The AM segment expects to continue to improve product mix from increased sales of premium products, including Eastman Tritan™ copolyester, Eastman Visualize™ Material, interlayers with acoustic properties, and LLumar®, V-KOOL®, and SunTek® window films and protective films.

The acquisition of Commonwealth further expands the AM segment's product portfolio and channel network in the diverse window film markets. In addition, the acquisition is expected to enable further manufacturing and distribution efficiencies and adds industry leading paint protection film technology to expand AM segment offerings in after-market automotive and protective film markets.

The Company completed an expansion of Eastman Tritan™ copolyester capacity at the Kingsport, Tennessee manufacturing facility in fourth quarter 2014, and began an additional 60,000 metric ton expansion of Eastman Tritan™ copolyester capacity at the Kingsport, Tennessee manufacturing facility which is expected to be operational in early 2017 to meet expected demand for Eastman Tritan™ copolyester.

During 2014, the Company also progressed on enhancements and innovations to improve its cost position in its PVB resin technology, supporting growth in the AM segment's transportation and building and construction markets in the Asia Pacific region. The construction of a manufacturing facility at the Kuantan, Malaysia site incorporating these improvements is expected to be operational in mid-2017.

FIBERS SEGMENT

- **Overview**

In the Fibers segment, Eastman manufactures and sells Estron™ acetate tow and Estrobond™ triacetin plasticizers for use primarily in the manufacture of cigarette filters; Estron™ natural (undyed) and Chromspun™ solution-dyed acetate yarns for use in apparel, home furnishings, and industrial fabrics; and cellulose acetate flake and acetyl raw materials for other acetate fiber producers. Eastman is one of the world's two largest suppliers of acetate tow and has been a market leader in the manufacture and sale of acetate tow since it began production in the early 1950s. The Company is the world's largest producer of acetate yarn and has been in this business for over 75 years. In 2014, the Fibers segment had sales revenue of $1.5 billion, 15 percent of Eastman's total sales. The Fibers segment has been and is expected to continue to be a stable source of cash flow and earnings.

Eastman's Fibers segment customers are located in all regions of the world, with Asia Pacific approximately 55 percent of 2014 revenues. The largest 13 Fibers segment customers include multinational as well as regional cigarette producers, fabric manufacturers, and other acetate fiber producers which account for approximately 80 percent of the segment's total sales revenue in 2014. Sales prices for a significant portion of the Fibers segment's products are typically negotiated on an annual basis.

The Company's long history and experience in the fibers markets are reflected in the Fibers segment's operating expertise, both within the Company and in support of its customers' processes. The Fibers segment's knowledge of the industry and of customers' processes allows it to assist its customers in maximizing their processing efficiencies, promoting repeat sales, and mutually beneficial, long-term customer relationships.

The Company's fully integrated fiber manufacturing process employs unique technology that allows it to use a broad range of high-purity wood pulps for which the Company has dependable sources of supply.

Contributing to profitability in the Fibers segment is the limited number of competitors, high industry capacity utilization, and significant barriers to entry. These barriers include, but are not limited to, high capital costs for integrated manufacturing facilities.

The Fibers segment's competitive strengths include a reputation for high-quality products, technical expertise, large scale vertically-integrated processes, reliability of supply, acetate flake supply in excess of internal needs, a reputation for customer service excellence, and a customer base characterized by strategic long-term customer relationships. The Company intends to continue to capitalize and build on these strengths to improve the strategic position of its Fibers segment. The principal methods of competition include maintaining the Company's large-scale vertically integrated manufacturing process from acetyl raw materials, reliability of supply, product quality, and sustaining long-term customer relationships.

- **Principal Products**

Product	Description	Principal Competitors	Key Raw Materials	End-Use Applications
Acetate Tow				
Estron™	cellulose acetate tow	Celanese Corporation Solvay S.A. Daicel Corporation Mitsubishi Rayon Co. Ltd.	wood pulp methanol high sulfur coal	Tobacco (manufacture of cigarette filters)
Acetate Yarn				
Estron™ Chromspun™ Cosilva™	natural (undyed) acetate yarn solution dyed acetate yarn	UAB Dirbtinis Pluostas Industrias del Acetato de Celulosa S.A. Mitsubishi Rayon Co. Ltd.	wood pulp methanol high sulfur coal	Consumables (apparel, home furnishings, and industrial fabrics) Health and wellness (medical tape)
Acetyl Chemical Products				
Estrobond™	triacetin cellulose diacetate flake acetic acid acetic anhydride	Jiangsu Ruijia Chemistry Co., Ltd. Polynt SPA Daicel Corporation Celanese Corporation Solvay S.A.	wood pulp methanol high sulfur coal	Tobacco (manufacture of cigarette filters)

	Percentage of Total Segment Sales		
Product Lines	**2014**	**2013**	**2012**
Acetate Tow	79%	83%	86%
Acetate Yarn and Acetyl Chemical Products	21%	17%	14%

- **Strategy**

In the Fibers segment, Eastman continues to leverage its strong customer relationships and industry knowledge to maintain a leading industry position in the global market. Eastman’s Fibers segment benefits from a state-of-the-art, world class, acetate flake production facility at the Kingsport, Tennessee site. In 2013, the Company completed construction of a 30,000 metric ton acetate tow manufacturing facility in Hefei, China, in a joint venture with China National Tobacco Corporation. Eastman's total global acetate tow capacity is approximately 210,000 metric tons, not including the Company’s participation in the Eastman China tow joint venture. The Company supplies 100 percent of the acetate flake raw material to the joint venture from the Company’s manufacturing facility in Kingsport, which the Company recognizes in sales revenue. The Company recognizes earnings in the joint venture through its equity investment, reported in "Other (income) charges, net" in the Consolidated Statement of Earnings.

The Company intends to continue to make use of its capabilities in fibers technology to maintain a strong focus on incremental product and process improvements, with the goals of meeting customers' evolving needs and improving the segment's manufacturing process efficiencies.

The Company's Fibers segment research and development efforts focus on process and product improvements, as well as cost reduction, with the objectives of increasing sales and reducing costs. The Fibers segment also conducts research to assist acetate tow customers in the effective use of the segment's products and in the customers' product development efforts.

As a result of recent acetate tow market conditions, including additional industry capacity, the Company is evaluating actions to reduce Fibers segment costs. On February 3, 2015, Eastman announced it will begin a consultation period regarding a proposal to close its Workington, U.K., acetate tow 24,000 metric ton capacity manufacturing facility. The proposed consultation process is, and the closure would be, subject to local legal and regulatory requirements.

SPECIALTY FLUIDS & INTERMEDIATES SEGMENT

- **Overview**

The SFI segment leverages large scale and vertical integration from the acetyl and olefins streams and the recently acquired alkylamine stream and proprietary manufacturing technology for specialty fluids to manufacture diversified products that are sold externally for use in markets such as industrial chemicals and processing, building and construction, health and wellness, and agrochemicals. Certain SFI products are also used internally by other segments of the Company. The SFI segment has leading market positions in many of its core products, and management believes it is well-positioned in key markets for most of its major products including acetyl chemical intermediates, olefin derivatives, specialty fluids, and alkylamines due to its competitive cost position, scale, technology, and reliability of supply. In 2014, the SFI segment had sales revenue of $2.5 billion, 26 percent of the Company's total sales. Technology platforms for this segment include acetyls, oxo, benzene and derivatives, polyester and alkylamines.

Historically, the intermediates product line's competitive cost position has been primarily due to use of and access to lower cost raw materials, including natural gas, which are used in the production of acetyl stream products, and olefin feedstocks which are used in the production of olefin derivative products. Some of the product line’s products are affected by the olefins cycle. See "Eastman Chemical Company General Information - Manufacturing Streams" in this "Part I - Item 1. Business." This cyclicality is caused by periods of supply and demand imbalance, either when incremental capacity additions are not offset by corresponding increases in demand or when demand exceeds existing supply. While management continues to take steps to reduce the impact of the trough of the olefins cycle, future SFI segment results are expected to continue to fluctuate from time to time due both to general economic conditions and olefins supply and demand.

The specialty fluids product line includes heat transfer and aviation fluids products. The heat transfer fluids product line offers a portfolio of high temperature synthetic aromatic fluids used primarily for indirect heat transfer in many chemical and manufacturing processes. Due to timing of customer project completions, heat transfer fluids product line revenues and earnings fluctuate from time to time. The aviation fluids product line includes brands that sell into critical applications in the airline industry. Aviation fluids product revenues have historically been stable and influenced by general consumer demand and product performance in global fleet engines.

- **Principal Products**

Product	Description	Principal Competitors	Key Raw Materials	End-Use Applications
Chemical Intermediates				
oxo alcohols and derivatives acetic acid and derivatives acetic anhydride	chemical intermediates	BASF SE The Dow Chemical Company Oxea BP plc Celanese Corporation Lonza	propane ethane propylene coal acetic acid natural gas	Industrial chemicals and processing Building and construction (paint/coating applications, construction chemicals, building materials) Pharmaceuticals and agriculture Health and wellness
Other Intermediates				
ethylene oxo alcohols polymer intermediates acetic acid	olefin, chemical intermediates, and polymer intermediates	LyondellBasell Industries Celanese Corporation BP plc BASF SE Flint Hill Resources	propane ethane propylene coal natural gas paraxylene metaxylene	Building and construction (paint/coating applications, construction chemicals, building materials) Industrial chemicals and processing Packaging
Specialty Fluids				
Therminol® Skydrol® Eastman Turbo Oils	heat transfer and aviation fluids	The Dow Chemical Company Exxon Mobil Corporation	benzene phosphorous neo-polyol esters	Industrial chemicals and processing (heat transfer fluids for chemical processes) Renewable energy Commercial aviation
Functional Amines				
alkylamines	methylamines and salts higher amines and solvents	DuPont U.S. Amines Oxea	methanol ammonia acetone ethanol butanol	Agrochemicals and various industrial intermediates Energy Personal care Water treatment Animal nutrition

	Percentage of Total Segment Sales			
Product Lines	**2014**	**2013**	**2012 Pro Forma Combined** [(1)]	**2012**
Chemical Intermediates	50%	48%	48%	51%
Other Intermediates	35%	39%	39%	42%
Specialty Fluids	14%	13%	13%	7%
Functional Amines	1%	—%	—%	—%

(1) "2012 Pro Forma Combined" gives effect to the acquisition of Solutia as if it had been completed at January 1, 2012.

- **Strategy**

A key focus for the segment is to continue to develop and access markets with high-growth potential for the Company's specialty fluids products. A major long-term goal is to expand volumes in growth markets for Therminol® heat transfer fluids through market development efforts. In second quarter 2014, the Company acquired the aviation turbine oil business. Added to Eastman’s Skydrol® aviation hydraulic fluids products, the acquired aviation turbine oil product line enables Eastman to better supply the global aviation industry.

To maintain and enhance its status as a low cost producer, the SFI segment continuously focuses on cost control, operational efficiency, and capacity utilization to maximize earnings in the chemical intermediates and other intermediates product lines. Through the SFI segment, the Company leverages the advantage of its highly integrated and world-scale manufacturing facilities. For example, the Kingsport, Tennessee manufacturing facility allows the SFI segment to produce acetic anhydride and other acetyl derivatives from coal rather than natural gas or other petroleum feedstocks. At the Longview, Texas manufacturing facility, Eastman's SFI segment uses its proprietary oxo-technology in the world's largest single-site, oxo butyraldehyde manufacturing facility to produce a wide range of alcohols and other derivative products utilizing local propane and ethane supplies, as well as purchased propylene. At the Pace, Florida manufacturing facility acquired from Taminco, a recent expansion solidifies the Company's position as the largest methylamine producer in North America. These integrated facilities, combined with large scale production processes and a continuous focus on additional process improvements, allow the chemical intermediates and other intermediates product lines to remain cost competitive with, and for some products cost-advantaged over, competitors.

The newly-acquired functional amines product line is expected to provide additional opportunities for SFI segment growth in attractive niche markets such as agriculture and personal care.

The Therminol® heat transfer fluid capacity expansion in Newport, Wales, is expected to be operational in the second half of 2015 to support expected long-term demand in the industrial chemicals and processing market for SFI products.

In 2012, the Company entered into an agreement with Enterprise Products Partners L.P. to purchase propylene from a planned propane dehydrogenation plant expected to be operational in 2016, which is expected to further improve the Company's competitive cost position compared to purchasing olefins in the North American market. Prior to completion of the plant, the Company continues to benefit from a propylene market contract with an advantaged cost position for purchased propylene. The Company continues to optimize the ethane content in its olefin cracking units feedstock mix based on relative market prices of olefins and olefins feedstocks.

The Company continues to evaluate long-term options for monetizing the Company's excess ethylene capacity while retaining its cost-advantaged integrated position to propylene which supports derivatives throughout the Company.

The Company is also actively pursuing licensing opportunities for acetyls, oxo derivatives, and mono ethylene glycol.

CORPORATE INITIATIVES

In addition to its business segments, the Company manages certain growth initiatives and costs at the corporate level, including certain research and development costs not allocated to any one operating segment. The Company uses a stage-gating process, which is a disciplined decision making framework for evaluating targeted opportunities, with a number of projects at various stages of development. As projects meet milestones, additional investment is committed to those projects. The Company continues to explore and invest in research and development initiatives that are aligned with macro trends in sustainability, consumerism, and energy efficiency such as high performance materials, advanced cellulosics, and reduced environmental impact. An example of such an initiative is the Eastman™ microfiber technology platform which leverages the Company's core competency in polymers chemistry, spinning capability, and in-house application expertise, for use in high purity air filtration, liquid filtration, and energy storage media, with opportunities for future growth in nonwoven and textile applications. The acquisition of Knowlton Technologies is expected to accelerate the Eastman™ microfiber technology platform innovation.

REGIONAL BUSINESS OVERVIEW

Eastman operates as a global business with approximately 55 percent of its sales generated from outside the United States and Canada region in 2014. As the Company continues to focus on growth in emerging markets, the percentage of sales from outside the United States and Canada is expected to increase. The Company has expanded its international manufacturing presence, and the Company is also able to transport products globally to meet demand. While all regions continue to be affected by the uncertainty in the global economy, the degree of the impact on the various regions is dependent on the mix of the Company's segments and products in each region. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Factors" in Part II, Item 7 of this Annual Report.

In 2014, the regional revenue by segment was as follows:

	United States and Canada	Asia Pacific	Europe, Middle East, and Africa	Latin America
Additives & Functional Products	18%	20%	19%	29%
Adhesives & Plasticizers	17%	5%	19%	16%
Advanced Materials	20%	28%	32%	26%
Fibers	6%	30%	17%	10%
Specialty Fluids & Intermediates	39%	17%	13%	19%
TOTAL	**100%**	**100%**	**100%**	**100%**

In 2014, the segment revenue by region was as follows:

	Additives & Functional Products	Adhesives & Plasticizers	Advanced Materials	Fibers	Specialty Fluids & Intermediates	Combined
United States and Canada	42%	56%	36%	19%	68%	46%
Asia Pacific	28%	9%	30%	53%	17%	27%
Europe, Middle East, and Africa	22%	29%	28%	24%	11%	22%
Latin America	8%	6%	6%	4%	4%	5%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

The United States and Canada region contains the highest concentration of the Company's long-lived assets with approximately 75 percent located in the United States. Management believes that the location of these manufacturing facilities provides the Company with an advantaged cost position for the Company's domestic customers, particularly for commodity and bulk products. The SFI segment accounted for 39 percent of the region's revenue, as the segment is well-positioned in this region's market for most of its major products, including acetic acid and acetic anhydride, although revenues in the region can be volatile due to the dependence of this segment's selling prices on key raw material and energy costs. Recently a larger portion of worldwide building and construction end market products like those of the A&P segment are manufactured in North America rather than Asia Pacific.

Eastman's focus for the Asia Pacific region is on specialty products that benefit from both the emerging middle class in the region and a shift in China from government infrastructure spending to a consumer driven economy. The Company is responding to this growth by strengthening its position through joint ventures and acquisitions. These include an equity joint venture with China National Tobacco Corporation for a 30,000 metric ton acetate tow manufacturing facility in Hefei, China completed in 2013. In the AFP segment, the Company is proceeding with a Crystex® capacity expansion at the Kuantan, Malaysia manufacturing facility to capitalize on expected high industrial growth rates in the Asia Pacific region. This expansion is expected to be operational in the first half of 2017. In the AM segment, the Company is proceeding with the construction of a PVB resin manufacturing facility at the Kuantan, Malaysia site which is expected to be operational mid-2017. The Fibers segment is 30 percent of revenue in the region, primarily from acetate tow products.

Company revenues in the Europe, Middle East, and Africa region continue to be negatively affected by ongoing economic weakness in Europe, although sales of certain of the Company's products in the region have increased more than general economic growth in recent periods due to regulatory requirements and consumer preferences in Europe. Additionally, growth in the emerging economies of Eastern Europe for certain products has been higher than global economic growth in recent periods because of higher growth in gross domestic product and per capita income. The AM segment accounted for 32 percent of the region's revenue, with a high concentration of interlayers product sales in this region.

The Company is focused on market trends in the Latin America region that include the growing use of adhesives for consumables and performance films for automotive end-market applications. Revenue in the region has been volatile due to product availability and the dependence of selling prices on key raw material and energy costs for the chemical intermediates products in the SFI segment. The AFP segment accounted for 29 percent of the region's revenue due to strong sales revenue in both coatings and tires markets.

Financial Information About Geographic Areas

For sales revenue and long-lived assets by geographic areas, see Note 20, "Segment Information", to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report.

EASTMAN CHEMICAL COMPANY GENERAL INFORMATION

Competitive Positions

Eastman has a strong portfolio of businesses that hold leading positions and manufacture products that enhance performance in a variety of end markets, sometimes classified as "specialty", "special position", or "commodity" products depending on product feature, product market, and competitive characteristics. Management considers “specialty” products those with leading competitive positions that enhance the performance of the end-use products through unique or differentiated product features. Examples of “specialty” products are Eastman Tritan™ copolyester, Texanol™, and Crystex®. “Special position” products are products that are also offered by competitors, but for which Eastman’s market position, regional cost advantage, and customer service provides a competitive advantage that enables consistent profit margins. Examples of “special position” products are Eastman 168™ plasticizer and acetic anhydride. The acquisition of the Taminco businesses adds additional "specialty" and "special position" products to the Company's portfolio. A relatively small portion (less than 15 percent of 2014 operating earnings) of Eastman’s products are considered “commodity” products, primarily excess chemical intermediates produced by Eastman’s large scale vertically integrated manufacturing assets that are sold externally to maintain high manufacturing capacity utilization. Examples of “commodity” products are bulk ethylene and polymer intermediates.

Seasonality and Cyclicality

The Company's earnings are typically greater in second and third quarters, and cash flows from operations are typically highest in the second half of the year due to seasonal demand based on general economic activity in the Company's key markets as described in "Business Segments". Results in the A&P and the AM segments are typically weaker in fourth quarter due to seasonal downturns in key markets.

The intermediates product lines of the SFI segment and the coatings product lines of the AFP segment are impacted by the cyclicality of key end products and markets, while other segments are more sensitive to global economic conditions. Supply and demand dynamics determine profitability at different stages of business cycles and global economic conditions affect the length of each cycle.

Despite sensitivity to global economic conditions, many of the products of each segment are expected to continue to provide an overall stable foundation for earnings.

Sales, Marketing, and Distribution

The Company markets and sells products primarily through a global marketing and sales organization which has a presence in the United States and in 39 other countries selling into approximately 135 countries around the world. Eastman has a marketing and sales strategy targeting industries and applications where Eastman products and services provide differentiated value. Market, customer, application, and technical expertise are critical capabilities. Through a highly skilled and specialized sales force that is capable of providing differentiated product solutions, Eastman strives to be the preferred supplier in the Company's targeted markets.

The Company's products are also marketed through indirect channels, which include distributors and contract representatives. Sales outside the United States tend to be made more frequently through distributors and contract representatives than sales in the United States. The combination of direct and indirect sales channels, including sales online through its Customer Center website, allows Eastman to reliably serve customers throughout the world.

The Company's products are shipped to customers directly from Eastman's manufacturing plants and from distribution centers worldwide.

Sources and Availability of Raw Material and Energy

Eastman purchases a substantial portion, estimated to be approximately 70 percent, of its key raw materials and energy through different contract mechanisms, generally of two to five years in initial duration with renewal or cancellation options for each party. Most of these agreements do not require the Company to purchase materials or energy if its operations are reduced or idle. The cost of raw materials and energy is generally based on market price at the time of purchase, and Eastman uses derivative financial instruments to mitigate the impact of market price fluctuations. Key raw materials include propane, paraxylene, cellulose, propylene, methanol, natural gas, coal, ethane, and a wide variety of precursors for specialty organic chemicals. Key purchased energy sources include natural gas, steam, coal, and electricity. The Company has multiple suppliers for most key raw materials and energy and uses quality management principles, such as the establishment of long-term relationships with suppliers and on-going performance assessment and benchmarking, as part of its supplier selection process. When appropriate, the Company purchases raw materials from a single source supplier to maximize quality and cost improvements, and has developed contingency plans designed to minimize the potential impact of any supply disruptions from single source suppliers.

While temporary shortages of raw materials and energy may occasionally occur, these items are generally sufficiently available to cover current and projected requirements. However, their continuous availability and cost are subject to unscheduled plant interruptions occurring during periods of high demand, domestic and world market conditions, changes in government regulation, natural disasters, war or other outbreak of hostilities or terrorism or other political factors, or breakdown or degradation of transportation infrastructure. Eastman's operations or products have in the past, and may in the future, be adversely affected by these factors. The Company's raw material and energy costs as a percent of total cost of operations were approximately 55 percent, 60 percent, and 55 percent in 2014, 2013, and 2012, respectively.

For additional information about raw materials, see exhibit 99.01 "Product and Raw Material Information" of this Annual Report on Form 10-K.

Manufacturing Streams

Integral to Eastman's strategy for growth is leveraging its heritage of expertise and innovation in acetyl, olefins, and polyester chemistries in key markets, including building and construction, consumables, transportation, and tobacco. The Taminco acquisition adds a leading position in alkylamine chemistry. For each of these chemistries, Eastman has developed and acquired a combination of assets and technologies that are operated within four manufacturing "streams".

- In the acetyl stream, the Company begins with coal and oxygen which are then gasified in its coal gasification facility. The resulting synthesis gas is converted into a number of chemicals including methanol, methyl acetate, acetic acid, and acetic anhydride. These chemicals are used in manufacturing products throughout the Company including, but not limited to, cellulose fibers, plastics, and esters. The Company's ability to use coal is considered to be a raw material cost advantage. The major end uses for products from the acetyl stream include coatings, displays, and tobacco.

- In the olefins stream, the Company begins primarily with propane and ethane, which are cracked into the "olefin" chemicals ethylene and propylene at its facility in Longview, Texas. "Cracking" is a chemical process in which liquefied petroleum gases are converted into the more reactive olefin molecules which can then be used in the manufacture of other chemicals. Eastman operates three cracking units in Longview, Texas. The company continues to optimize the ethane content in its olefins cracking units feedstock mix based on relative market prices of olefins and olefins feedstocks. The Company also purchases additional propylene for use at its Longview facility and its facilities outside the United States and has an agreement with Enterprise Products Partners L.P. to purchase propylene from a planned propane dehydrogenation plant expected to be operational in 2016, which is expected to further improve the Company's competitive cost position compared to purchasing propylene in the North American market. Prior to completion of the plant, the Company benefits from a propylene market contract which improves its cost position for purchased propylene. Propylene is used in chemical intermediates, which are used to produce a variety of items such as paints and coatings, automotive safety glass, and non-phthalate plasticizers. The ethylene is used to produce chemicals that Eastman's customers ultimately convert for end uses in the food industry, health and beauty products, detergents, and automotive products. Petrochemical business cycles are influenced by periods of over- and under-capacity. Capacity additions to steam cracking units around the world, combined with demand for light olefins, determine the operating rate and thus profitability of producing olefins. Historically, periodic additions of large blocks of capacity have caused profit margins of light olefins to expand and contract, resulting in "ethylene" or "olefins" cycles. The Company believes it is positioned to be less impacted by these cycles than it has been historically due to actions it has taken to leverage its diverse derivatives products to take advantage of regulatory trends and focus on more durable markets.

- In the polyester stream, the Company begins with purchased paraxylene and produces purified terephthalic acid ("PTA") and dimethyl terephthalate ("DMT") for polyesters and copolyesters. PTA or DMT is then reacted with various glycols, which the Company either makes or purchases, along with other raw materials (some of which the Company makes and are proprietary) to produce copolyesters. The Company believes that this backward integration of polyester manufacturing is a competitive advantage, giving Eastman a low cost position, as well as a more reliable intermediate supply. In addition, Eastman can add specialty monomers to copolyesters to provide clear, tough, chemically resistant product characteristics. As a result, the Company's copolyesters effectively compete with materials such as polycarbonate and acrylic.

- In the alkylamine stream, the Company begins with ammonia and alcohols (C1 - C6) to produce methyl amines and higher alkylamines, which can then be further reacted with other chemicals to produce alkylamine derivatives. The Company’s alkylamine products are primarily used in agriculture, water treatment, personal care, animal nutrition and oil and gas end markets. The Company is recognized as a leader in alkylamine technology. Methylamines are manufactured by reacting methanol with ammonia in a catalytic reactor. Three different methylamines are produced: mono methylamine (“MMA”), di methylamine (“DMA”) and tri methylamine (“TMA”). The reaction circumstances (pressure, temperature, catalysts, etc.) and reactant ratios determine the ratio of the three products which are purified by distillation and used as building blocks to produce downstream derivatives or sold externally to merchant customers. The term 'higher alkylamines' refers to amines produced with C2-C6 alcohols (ethyl, n butyl, n propyl, isopropyl and cyclohexyl amines). The manufacturing process for higher alkylamines is similar to that for methylamines, as ammonia is combined with various alcohols in catalytic reactors and subsequently distilled. The use of different alcohols results in the creation of different higher alkylamines which are used both internally to produce derivatives or sold externally to the merchant market.

In addition to stream integration, the Company also derives value from Eastman's cellulosics expertise. These cellulosics are natural polymers, sourced from managed forests, which, when combined with the acetyl and olefin streams, provide differentiated product lines and an advantaged raw material position for Eastman.

The Company leverages its expertise and innovation in acetyl, olefins, polyester and alkylamine chemistries, and technologies, as well as its use of cellulosics, to meet demand and create new uses and opportunities for the Company's products in key markets. Through integration and optimization across these streams, the Company is able to create unique and differentiated products that have a performance advantage over competitive materials.

Capital Expenditures

Capital expenditures were $593 million, $483 million, and $465 million in 2014, 2013, and 2012, respectively. Capital expenditures in 2014 were primarily for organic growth initiatives particularly in the SFI and AM segments, including improvements to plants, purchases of equipment, and manufacturing and administrative facility additions and enhancements. The Company expects that 2015 capital spending will be between $700 million and $725 million including the costs of modernization and expansion of the Kingsport, Tennessee site, the expansion and construction at the Kuantan, Malaysia manufacturing site in the AFP and AM segments, additional expansion of Eastman Tritan™ copolyester capacity in Kingsport, and a Therminol® heat transfer fluid capacity expansion in Newport, Wales. Capital spending in 2015 is expected to include approximately $80 million for the recently acquired Taminco businesses.

Employees

Eastman employs approximately 15,000 men and women worldwide. Approximately 10 percent of the total worldwide labor force is represented by unions, mostly outside the United States.

Customers

Eastman has an extensive customer base and, while it is not dependent on any one customer, loss of certain top customers could adversely affect the Company until such business is replaced. The top 100 customers accounted for approximately 60 percent of the Company's 2014 sales revenue. No single customer accounted for 10 percent or more of the Company's consolidated sales revenue during 2014.

Intellectual Property and Trademarks

While the Company's intellectual property portfolio is an important Company asset which it expands and vigorously protects globally through a combination of patents that expire at various times, trademarks, copyrights, and trade secrets, neither its business as a whole nor any particular segment is materially dependent upon any one particular patent, trademark, copyright, or trade secret. As a producer of a broad range of advanced materials, chemicals, and fibers, Eastman owns over 700 active United States patents and more than 1,900 active foreign patents, expiring at various times over several years, and also owns over 5,500 active worldwide trademark applications and registrations. Eastman continues to actively protect its intellectual property. As the laws of many countries do not protect intellectual property to the same extent as the laws of the United States, Eastman cannot ensure that it will be able to adequately protect its intellectual property assets outside the United States.

The Company pursues opportunities to license proprietary technology to third parties in areas where it has determined competitive impact to its businesses will be minimal. These arrangements typically are structured to require payments at significant project milestones such as signing, completion of design, and start-up. To date, efforts have been focused on acetyls technology in the SFI segment. The Company is also actively pursuing licensing opportunities for acetyls, oxo derivatives, and mono ethylene glycol in the SFI segment.

Research and Development

For 2014, 2013, and 2012, Eastman's R&D expenses totaled $227 million, $193 million, and $198 million, respectively.

Environmental

Eastman is subject to significant and complex laws, regulations, and legal requirements relating to the use, storage, handling, generation, transportation, emission, discharge, disposal, and remediation of, and exposure to, hazardous and non-hazardous substances and wastes in all of the countries in which it does business. These health, safety, and environmental considerations are a priority in the Company's planning for all existing and new products and processes. The Health, Safety, Environmental and Security Committee of Eastman's Board of Directors oversees the Company's policies and practices concerning health, safety, and the environment and its processes for complying with related laws and regulations, and monitors related matters.

The Company's policy is to operate its plants and facilities in compliance with all applicable laws and regulations such that it protects the environment and the health and safety of its employees and the public. The Company intends to continue to make expenditures for environmental protection and improvements in a timely manner consistent with its policies and with the technology available. In some cases, applicable environmental regulations such as those adopted under the Clean Air Act, Resource Conservation and Recovery Act, Comprehensive Environmental Response, Compensation, and Liability Act, and related actions of regulatory agencies, determine the timing and amount of environmental costs incurred by the Company. Likewise, any new legislation or regulations related to greenhouse gas emissions and energy could impact the timing and amount of environmental costs incurred by the Company. The Company has reduced its greenhouse gas emissions and energy consumption on a unit basis over the last five years.

The Company accrues environmental costs when it is probable that the Company has incurred a liability and the amount can be reasonably estimated. In some instances, the amount cannot be reasonably estimated due to insufficient information, particularly as to the nature and timing of future expenditures. In these cases, the liability is monitored until such time that sufficient information exists. With respect to a contaminated site, the amount accrued reflects liabilities expected to be paid out within 30 years and the Company's assumptions about remediation requirements at the site, the nature of the remedy, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties. Changes in the estimates on which the accruals are based, unanticipated government enforcement action, or changes in health, safety, environmental, and chemical control regulations, and testing requirements could result in higher or lower costs. The Company's cash expenditures related to environmental protection and improvement were $319 million, $285 million, and $262 million, in 2014, 2013, and 2012, respectively. These amounts were primarily for operating costs associated with environmental protection equipment and facilities, but also included $79 million and $53 million in expenditures for engineering and construction in 2014 and 2013, respectively.

Management anticipates that capital expenditures associated with boiler air emissions regulations will modestly increase average annual environmental capital expenditures over the next four to five years compared to recent historical levels. However, the Company has decided to convert 50 percent of its steam and electric generation capacity at the Kingsport, Tennessee facility to natural gas over that period which the Company believes is more cost-efficient. Management does not believe that these expenditures will have a material effect on the Company's consolidated financial position or cash flows. Other than these planned capital expenditures at the Company's Kingsport, Tennessee facility, the Company does not currently expect near term environmental capital expenditures arising from requirements of recently promulgated environmental laws and regulations to materially increase the Company's planned level of annual capital expenditures for environmental control facilities.

Other matters concerning health, safety, and the environment are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II Item 7 and in Notes 1, "Significant Accounting Policies"; 14, "Environmental Matters"; and 23, "Reserve Rollforwards" to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report.

Backlog

On January 1, 2015 and 2014, Eastman's backlog of firm sales orders represented less than 10 percent of the Company's total consolidated revenue for the previous year. These orders are primarily short-term and all orders are expected to be filled in the following year. The Company manages its inventory levels to control the backlog of products depending on customers' needs. In areas where the Company is the single source of supply, or competitive forces or customers' needs dictate, the Company may carry additional inventory to meet customer requirements.

Available Information - SEC Filings

The Company makes available free of charge, through the "Investors - SEC Information" section of its Internet website (www.eastman.com), its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC.

The Company is required to file annual, quarterly and current reports, proxy statements and other information with the SEC. The public may read and copy any materials that the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

ITEM 1A. RISK FACTORS

For identification and discussion of the most significant risks applicable to the Company and its business, see Part II – Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk Factors" of this Annual Report.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

EXECUTIVE OFFICERS OF THE COMPANY

Certain information about the Company's executive officers is provided below:

Mark J. Costa, age 48, is Chief Executive Officer and Chairman of the Eastman Chemical Company Board of Directors. Mr. Costa joined the Company in June 2006 as Senior Vice President, Corporate Strategy & Marketing; was appointed Executive Vice President, Polymers Business Group Head and Chief Marketing Officer in August 2008; was appointed Executive Vice President, Specialty Polymers, Coatings and Adhesives, and Chief Marketing Officer in May 2009; and became President and a Director of the Company in May 2013. Prior to joining Eastman, Mr. Costa was a senior partner with Monitor Group ("Monitor"). He joined Monitor, a global management consulting firm, in 1988 and his experience included corporate and business unit strategies, asset portfolio strategies, innovation and marketing, and channel strategies across a wide range of industries. Mr. Costa was appointed Chief Executive Officer in January 2014 and was named Chairman effective July 2014.

Curtis E. Espeland, age 50, is Executive Vice President and Chief Financial Officer. Mr. Espeland joined Eastman in 1996, and has served in various financial management positions of increasing responsibility, including Director of Internal Auditing; Director of Finance, Asia Pacific; Director of Corporate Planning and Forecasting; Vice President and Controller; Vice President, Finance, Eastman Division; Vice President, Finance, Polymers; and Senior Vice President and Chief Financial Officer from 2008 until December 2013. He served as the Company's Chief Accounting Officer from December 2002 to 2008. Prior to joining Eastman, Mr. Espeland was an audit and business advisory manager with Arthur Andersen LLP in the United States, Eastern Europe, and Australia. Mr. Espeland was appointed to his current position effective January 2014.

Ronald C. Lindsay, age 56, is Chief Operating Officer. Mr. Lindsay joined Eastman in 1980 and has held a number of positions in various manufacturing and business organizations. In 2003, Mr. Lindsay was appointed Vice President and General Manager of Intermediates; in 2005 became Vice President, Performance Chemicals and Intermediates; in 2006 was appointed Senior Vice President and Chief Technology Officer; in 2008 was appointed Senior Vice President, Corporate Strategy and Regional Leadership; in May 2009 was appointed Executive Vice President, Performance Polymers and Chemical Intermediates; and in January 2011 was appointed Executive Vice President, Performance Chemicals and Intermediates, Fibers, Engineering and Construction, and Manufacturing Support. In July 2012 he was appointed Executive Vice President, Adhesives &Plasticizers, Fibers, Specialty Fluids & Intermediates, Engineering and Construction, and Manufacturing Support. He was appointed to his current position effective January 2014.

Brad A. Lich, age 47, is Executive Vice President, with responsibility for the Additives and Functional Products and Advanced Materials segments and the marketing, sales, and pricing organizations. Mr. Lich joined Eastman in 2001 as Director of Global Product Management and Marketing for Coatings. Other positions of increasing responsibility followed, including General Manager of Emerging Markets for the former Coatings, Adhesives, Specialty Polymers, and Inks ("CASPI"). In 2006, Mr. Lich became Vice President of Global Marketing with direct responsibility for company-wide global marketing functions. In 2008, Mr. Lich was appointed Vice President and General Manager of the CASPI segment, and in 2012 was appointed Vice President and General Manager of the AFP segment. Mr. Lich was appointed to his current position effective January 2014.

Michael H.K. Chung, age 61, is Senior Vice President and Chief International Ventures Officer. Mr. Chung joined Eastman in 1976, and since that time has held various management positions, primarily in the Company's chemicals and fibers businesses. He was appointed Vice President, Fibers International Business in 2006 and in 2009, he was appointed Vice President and Managing Director, Asia Pacific Region. Mr. Chung was appointed to his current position effective January 2011.

Mark K. Cox, age 49, is Senior Vice President and Chief Manufacturing and Engineering Officer. Mr. Cox joined Eastman in 1986 and has served in a variety of management positions, including leadership roles within the Business Management, Manufacturing, and Technology areas. Additionally, he has held responsibility for Eastman's Corporate Six Sigma program. In August 2008, Mr. Cox was appointed Vice President, Chemicals and Fibers Technology. Beginning in May 2009, Mr. Cox served as Vice President, Chemicals, Fibers, and Performance Polymers Technology. He was appointed Vice President, Worldwide Engineering and Construction in August 2010 and to his current position effective January 2014.

Stephen G. Crawford, age 50, is Senior Vice President and Chief Technology Officer, including responsibility for corporate innovation. Mr. Crawford joined Eastman in 1987. Since then, he has held several leadership positions of increasing responsibility in the manufacturing and technology organizations, including Vice President, Specialty Polymers and Coatings Technology. In February 2013, Mr. Crawford was appointed Vice President, Functional Products Technology. In that position he had responsibility for Coatings, Adhesives and Plasticizers, Fibers and Rubber Additives Technology development. Mr. Crawford was appointed to his current position effective January 2014.

David A. Golden, age 49, is Senior Vice President, Chief Legal Officer, and Corporate Secretary. Mr. Golden has responsibility for Eastman's Legal, Corporate HSES, and Global Public Affairs and Policy organizations. He also has overall responsibility for Eastman's Ethics & Corporate Compliance program. Immediately prior to this position, he was Vice President, Associate General Counsel, and Corporate Secretary with overall responsibility for Eastman's Legal Department. Mr. Golden joined Eastman in 1995 as an attorney and has held positions of increasing responsibility, including serving as the Company's Director of Internal Audit from October 2005 to October 2007 and Vice President and Assistant General Counsel responsible for the Company's Commercial and International Law groups from 2007 to 2010. Mr. Golden assumed his current role in January 2013. Prior to joining Eastman, he worked as an attorney in the Atlanta office of the law firm of Hunton & Williams.

Godefroy A.F.E. Motte, age 56, is Senior Vice President, Integrated Supply Chain and Chief Regional and Sustainability Officer. Since joining Eastman in 1985, Mr. Motte has held leadership positions in various organizations, including sales, supply chain, and manufacturing and in both the Company's chemicals and polymers businesses. He was appointed Vice President for the Europe, Middle East, and Asia ("EMEA") region for the Chemicals Division in 2001 and for the EMEA Polymers Business Group in April 2006. In January 2011, Mr. Motte was appointed Senior Vice President, Chief Regional and Sustainability Officer and was appointed to his current position effective July 2012.

Perry Stuckey, III, age 55, is Senior Vice President, Chief Human Resources Officer. Mr. Stuckey joined Eastman in 2011, as Vice President, Global Human Resources, and was responsible for Eastman's human resources strategy and services worldwide. Mr. Stuckey's work experience spans more than 25 years, including a variety of global human resource management positions in manufacturing, industrial automation, and bio-technology organizations, including Hill-Rom Company, Rockwell Automation, and Monsanto Company. Mr. Stuckey was appointed to his current position in January 2013.

Scott V. King, age 46, is Vice President, Finance and Chief Accounting Officer. Since joining Eastman in 1999 as Manager, Corporate Consolidations and External Reporting, Mr. King has held various positions of increasing responsibility in the financial organization, and was appointed Vice President and Controller in August 2007 and Chief Accounting Officer in September 2008. Prior to joining Eastman, Mr. King was an audit and business advisory manager with PricewaterhouseCoopers LLP. Mr. King was appointed to his current position in June 2014.

EASTMAN

ITEM 2. PROPERTIES

At December 31, 2014, Eastman Chemical Company ("Eastman" or the "Company") owned or operated 51 manufacturing sites and has equity interests in four manufacturing joint ventures in a total of 15 countries. Utilization of these sites may vary with product mix and economic, seasonal, and other business conditions; however, none of the principal plants is substantially idle. The Company's plants, including approved expansions, generally have sufficient capacity for existing needs and expected near-term growth. These plants are generally well maintained, in good operating condition, and suitable and adequate for their use. Unless otherwise indicated, all of the properties are owned. The locations and general character of the Company's manufacturing sites are:

EASTMAN

Location	Segment using manufacturing location				
	Additives & Functional Products	Adhesives & Plasticizers	Advanced Materials	Fibers	Specialty Fluids & Intermediates
USA					
Alvin, Texas(1)					x
Anniston, Alabama					x
Axton, Virginia			x		
Canoga Park, California(2)			x		
Cartersville, Georgia(1)	x				
Chestertown, Maryland		x			
Chicago, Illinois(2)			x		
Columbia, South Carolina(1)(3)			x		
Franklin, Virginia(1)		x			
Indianapolis, Indiana	x				
Jefferson, Pennsylvania	x	x			
Kingsport, Tennessee	x	x	x	x	x
Lemoyne, Alabama(1)	x				
Linden, New Jersey					x
Longview, Texas	x	x	x		x
Martinsville, Virginia (4)			x		
Monongahela, Pennsylvania	x				
Pace, Florida	x				x
Sauget, Illinois	x				
Springfield, Massachusetts			x		
St. Gabriel, Louisiana	x				x
Sun Prairie, Wisconsin			x		
Texas City, Texas		x			x
Trenton, Michigan			x		
Watertown, New York (5)					
Europe					
Antwerp, Belgium(1)	x		x		
Ghent, Belgium (4)	x		x		x
Workington, England				x	
Kohtla-Järve, Estonia		x			x
Oulu, Finland	x				
Dresden, Germany			x		
Leuna, Germany	x				x
Nienburg, Germany	x				
Middelburg, the Netherlands		x			
Newport, Wales			x		x

(1) Eastman is a guest under an operating agreement with a third party, which operates its manufacturing facilities at the site.

(2) Eastman leases from a third party and Eastman operates the site.

(3) Although nearly the entire manufacturing site was included in the first quarter 2011 divestiture of the Company's polyethylene terephthalate ("PET") business and related assets, a portion has been retained subsequent to the sale.

(4) Eastman has more than one manufacturing site at this location.

(5) This location supports developing businesses of the Eastman™ microfiber technology platform, the financial results of which are not identifiable to an operating segment and are shown as "other" operating earnings (loss).

Location	Segment using manufacturing location Additives & Functional Products	Adhesives & Plasticizers	Advanced Materials	Fibers	Specialty Fluids & Intermediates
Asia Pacific					
Fengxian, China	x				
Suzhou, China[(1)(2)(3)]			x		x
Wuhan, China[(4)]		x			
Yixing, China	x				
Zibo, China[(5)]	x	x			
Kashima, Japan	x				
Ulsan, Korea				x	
Kuantan, Malaysia[(1)]	x		x		
Jurong Island, Singapore[(1)]	x	x			x
Latin America					
Itupeva, Brazil[(6)]	x				
Mauá, Brazil		x			
Santo Toribio, Mexico			x		
Uruapan, Mexico		x			

(1) Eastman leases from a third party and Eastman operates the site.
(2) Eastman has more than one manufacturing site at this location.
(3) Eastman holds a 60 percent share in the joint venture Solutia Therminol Co., Ltd., Suzhou in the Specialty Fluids & Intermediates segment.
(4) Eastman holds a 51 percent share in the joint venture Eastman Specialties Wuhan Youji Chemical Co., Ltd.
(5) Eastman holds a 51 percent share in the joint venture Qilu Eastman Specialty Chemical Ltd.
(6) Eastman is a guest under an operating agreement with a third party, which operates its manufacturing facilities at the site.

Eastman has 50 percent or less ownership in joint ventures at the following manufacturing sites:

Location	Segment using manufacturing location Additives & Functional Products	Adhesives & Plasticizers	Advanced Materials	Fibers	Specialty Fluids & Intermediates
Asia Pacific					
Hefei, China				x	
Nanjing, China [(1)]		x			x
Shenzhen, China			x		

(1) Eastman has more than one manufacturing site at this location.

Eastman has distribution facilities at all of its plant sites. In addition, the Company owns or leases approximately 200 stand-alone distribution facilities in the United States and 30 other countries. Corporate headquarters are in Kingsport, Tennessee. The Company's regional headquarters are in Merelbeke, Belgium; Shanghai, China; Miami, Florida; Capelle aan den IJssel, the Netherlands; Allentown, Pennsylvania; Zug, Switzerland; Singapore; and Kingsport, Tennessee. Technical service is provided to the Company's customers from technical service centers in Kingsport, Tennessee; Palo Alto, California; Canoga Park, California; Naperville, Florida; Springfield, Massachusetts; Akron, Ohio; Martinsville, Virginia; Ghent, Belgium; Kirkby, England; Middelburg, the Netherlands; Shanghai, China; and Singapore. In addition to Eastman's regional customer service centers located in Kingsport, Tennessee; St. Louis, Missouri; Miami, Florida (Latin America); Capelle aan den IJssel, the Netherlands; Zaventem, Belgium; Koeln, Germany; Shanghai, China; and Singapore, the Company also has customer service offices located in 15 other countries around the world.

A summary of properties, classified by type, is included in Note 4, "Properties and Accumulated Depreciation", to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K (this "Annual Report").

EASTMAN

ITEM 3. LEGAL PROCEEDINGS

General

From time to time, Eastman Chemical Company ("Eastman" or the "Company") and its operations are parties to, or targets of, lawsuits, claims, investigations and proceedings, including product liability, personal injury, asbestos, patent and intellectual property, commercial, contract, environmental, antitrust, health and safety, and employment matters, which are being handled and defended in the ordinary course of business. While the Company is unable to predict the outcome of these matters, it does not believe, based upon currently available facts, that the ultimate resolution of any such pending matters will have a material adverse effect on its overall financial condition, results of operations, or cash flows.

Solutia Legacy Torts Claims Litigation

Pursuant to an Amended and Restated Settlement Agreement effective February 28, 2008 between Solutia Inc. ("Solutia") and Monsanto Company ("Monsanto") in connection with Solutia's emergence from Chapter 11 bankruptcy proceedings (the "Monsanto Settlement Agreement"), Monsanto is responsible to defend and indemnify Solutia against any Legacy Tort Claims (as defined in the Monsanto Settlement Agreement) and Solutia agreed to retain responsibility for certain tort claims, if any, that may arise from Solutia's conduct after its spinoff from Pharmacia Corporation (f/k/a Monsanto), which occurred on September 1, 1997. Solutia, which became a wholly owned subsidiary of Eastman on July 2, 2012, has been named as a defendant in several such proceedings, and has submitted the matters to Monsanto as Legacy Tort Claims. To the extent these matters are not within the meaning of Legacy Tort Claims, Solutia could potentially be liable thereunder. In connection with the completion of its acquisition of Solutia, Eastman guaranteed the obligations of Solutia and Eastman was added as an indemnified party under the Monsanto Settlement Agreement.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Eastman Chemical Company's ("Eastman" or the "Company") common stock is traded on the New York Stock Exchange (the "NYSE") under the symbol "EMN". The following table presents the high and low sales prices of the common stock on the NYSE and the cash dividends per share declared by the Company's Board of Directors for each quarterly period of 2014 and 2013.

		High	Low	Cash Dividends Declared
2014	First Quarter	$ 88.90	$ 73.00	$ 0.35
	Second Quarter	90.55	82.49	0.35
	Third Quarter	89.02	78.21	0.35
	Fourth Quarter	88.93	70.38	0.40
2013	First Quarter	$ 75.18	$ 67.27	$ 0.30
	Second Quarter	74.62	63.48	0.30
	Third Quarter	82.91	69.75	0.30
	Fourth Quarter	82.96	72.62	0.35

As of December 31, 2014, there were 148,647,456 shares of the Company's common stock issued and outstanding, which shares were held by 19,438 stockholders of record. These shares include 50,798 shares held by the Company's charitable foundation. The Company's Board of Directors has declared a cash dividend of $0.40 per share during the first quarter of 2015, payable on April 1, 2015 to stockholders of record on March 16, 2015. 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. The payment of dividends is a business decision made by the Board of Directors from time to time based on the Company's earnings, financial position and prospects, and such other considerations as the Board considers relevant. Accordingly, while management currently expects that the Company will continue to pay a quarterly cash dividend, its dividend practice may change at any time.

See Part III, Item 12 — "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters—Securities Authorized for Issuance Under Equity Compensation Plans" of this Annual Report for the information required by Item 201(d) of Regulation S-K.

(b) Not applicable.

.

EASTMAN

ITEM 6. SELECTED FINANCIAL DATA

Operating Data (Dollars in millions, except per share amounts)	Year Ended December 31, 2014	2013	2012	2011	2010
Sales	$ 9,527	$ 9,350	$ 8,102	$ 7,178	$ 5,842
Operating earnings	1,162	1,862	800	937	844
Earnings from continuing operations	755	1,172	443	607	418
Earnings from discontinued operations	2	—	—	9	9
Gain from disposal of discontinued operations	—	—	1	31	—
Net earnings	757	1,172	444	647	427
Less: Net earnings attributable to noncontrolling interest	6	7	7	1	2
Net earnings attributable to Eastman	$ 751	$ 1,165	$ 437	$ 646	$ 425
Amounts attributable to Eastman stockholders					
Earnings from continuing operations, net of tax	$ 749	$ 1,165	$ 436	$ 606	$ 416
Earnings from discontinued operations, net of tax	2	—	1	40	9
Net earnings attributable to Eastman stockholders	$ 751	$ 1,165	$ 437	$ 646	$ 425
Basic earnings per share attributable to Eastman					
Earnings from continuing operations	$ 5.01	$ 7.57	$ 2.99	$ 4.34	$ 2.88
Earnings from discontinued operations	0.02	—	0.01	0.29	0.07
Net earnings	$ 5.03	$ 7.57	$ 3.00	$ 4.63	$ 2.95
Diluted earnings per share attributable to Eastman					
Earnings from continuing operations	$ 4.95	$ 7.44	$ 2.92	$ 4.24	$ 2.81
Earnings from discontinued operations	0.02	—	0.01	0.28	0.07
Net earnings	$ 4.97	$ 7.44	$ 2.93	$ 4.52	$ 2.88
Statement of Financial Position Data					
Current assets	$ 3,173	$ 2,840	$ 2,699	$ 2,302	$ 2,047
Net properties	5,087	4,290	4,181	3,107	3,219
Goodwill	4,486	2,637	2,644	406	375
Other intangibles	2,905	1,781	1,870	101	92
Total assets	16,072	11,845	11,710	6,184	5,986
Current liabilities	2,022	1,470	1,364	1,114	1,070
Long-term borrowings	7,248	4,254	4,779	1,445	1,598
Total liabilities	12,482	7,970	8,682	4,283	4,327
Total Eastman stockholders' equity	3,510	3,796	2,943	1,870	1,627
Dividends declared per share	1.450	1.250	1.080	0.990	0.895

On December 5, 2014, Eastman Chemical Company ("Eastman" or the "Company") completed its acquisition of Taminco, a global specialty chemical company. The fair value of total consideration transferred was $2.8 billion, consisting of cash of $1.7 billion, net of cash acquired, and repayment of Taminco's debt of $1.1 billion. The acquisition was accounted for as a business combination. Taminco's former specialty amines and crop protection businesses are managed and reported as part of the Additives & Functional Products ("AFP") segment and its former functional amines business are managed and reported as part of the Specialty Fluids & Intermediates ("SFI") segment.

On December 11, 2014, the Company acquired Commonwealth Laminating & Coating, Inc. ("Commonwealth") for a total purchase price of $438 million including the repayment of debt. The acquisition was accounted for as a business combination and the acquired Commonwealth business is managed and reported in the Advanced Materials segment.

On June 2, 2014, the Company acquired BP plc's global aviation turbine engine oil business ("aviation turbine oil business") for a total cash purchase price of $283 million. The acquisition was accounted for as a business combination and the acquired aviation turbine oil business is managed and reported in the SFI segment.

On August 6, 2014, the Company acquired Knowlton Technologies, LLC ("Knowlton"), for a total cash purchase price of $42 million. The acquisition was accounted for as a business combination. The acquired Knowlton business is a developing business of the Eastman™ microfiber technology platform, the financial results of which are not identifiable to an operating segment and are shown as "other" operating earnings (loss).

On July 2, 2012, the Company completed its acquisition of Solutia Inc. ("Solutia"), a global leader in performance materials and specialty chemicals. The fair value of total consideration transferred was $4.8 billion, consisting of cash of $2.6 billion, net of cash acquired; equity in the form of Eastman stock of approximately $700 million; and the assumption and subsequent repayment of Solutia's debt at fair value of $1.5 billion.

For additional information about the above acquired businesses see Note 2, "Acquisitions", to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K. As of the date of acquisition, results of the acquired businesses are included in Eastman results.

In third quarter 2011, the Company completed three acquisitions, each accounted for as a business combination: Sterling Chemicals, Inc., a single site North American petrochemical producer, to produce non-phthalate plasticizers in the Adhesives & Plasticizers (A&P) segment, including Eastman 168™ non-phthalate plasticizers, and acetic acid in the SFI segment; Scandiflex do Brasil S.A. Indústrias Químicas, a manufacturer of plasticizers located in São Paulo, Brazil, which is reported in the A&P segment; and Dynaloy, LLC, a producer of formulated solvents, which is reported in the AFP segment.

In 2011, the Company completed the sale of the polyethylene terephthalate ("PET") business, related assets at the Columbia, South Carolina site, and technology of its former Performance Polymers segment. The PET business, assets, and technology sold were substantially all of the Performance Polymers segment. Performance Polymers segment operating results are presented as discontinued operations for all periods presented and are therefore not included in results from continuing operations in accordance with accounting principles generally accepted ("GAAP") in the United States.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is based upon the consolidated financial statements of Eastman Chemical Company ("Eastman" or the "Company"), which have been prepared in accordance with accounting principles generally accepted ("GAAP") in the United States, and should be read in conjunction with the Company's consolidated financial statements and related notes included elsewhere in this 2014 Annual Report on Form 10-K (this "Annual Report"). All references to earnings per share ("EPS") contained in this report are to diluted earnings per share unless otherwise noted.

CRITICAL ACCOUNTING ESTIMATES

In preparing the consolidated financial statements in conformity with GAAP, the Company's management must make decisions which impact the reported amounts and the related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and assumptions on which to base estimates and judgments that affect the reported amounts of assets, liabilities, sales revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to allowances for doubtful accounts, impairment of long-lived assets, environmental costs, pension and other postretirement benefits, litigation and contingent liabilities, income taxes, and purchase accounting. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The Company's management believes the critical accounting estimates described below are the most important to the fair presentation of the Company's financial condition and results. These estimates require management's most significant judgments in the preparation of the Company's consolidated financial statements.

Allowances for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company believes, based on historical results, the likelihood of actual write-offs having a material impact on financial results is low. However, if one of the Company's key customers was to file for bankruptcy, or otherwise be unwilling or unable to make its required payments, or there was a significant slow-down in the economy, the Company could increase its allowances. This could result in a material charge to earnings. The Company's allowance for doubtful accounts was $10 million and $12 million at December 31, 2014 and 2013, respectively.

Impairment of Long-Lived Assets

As a result of the 2014 acquisitions, the Company recorded $1.9 billion of goodwill and $1.3 billion of definite-lived intangible assets. As required by purchase accounting guidance, the Company performed a determination of the fair value of assets and liabilities acquired. Therefore, the goodwill and intangible assets resulting from the acquisitions were excluded from the current year's annual testing of goodwill and indefinite-lived intangible assets. See Note 2, "Acquisitions" to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report.

Definite-lived Assets

Properties and equipment and definite-lived intangible assets to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review of these long-lived assets is performed at the asset group level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If the carrying amount is not considered to be recoverable, an analysis of fair value is triggered. An impairment is recognized for the excess of the carrying amount of the asset over the fair value.

The Company conducts testing of goodwill and indefinite-lived intangible assets annually in third quarter of each year or when impairment indicators arise, whichever comes first.

Goodwill

The testing of goodwill is performed at the "reporting unit" level which the Company has determined to be its "components". Components are defined as one level below an operating segment, and in order to be a reporting unit, the component must 1) be a "business" as defined by applicable accounting standards (an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to the investors or other owners, member, or participants); 2) have discrete financial information available; and 3) be reviewed regularly by Company operating segment management. The Company aggregates certain components into reporting units based on economic similarities.

The Company uses an income approach and applies a fair value methodology based on discounted cash flows in testing the carrying value of goodwill for each reporting unit. The key assumptions and estimates used in the Company's 2014 goodwill impairment testing included a long-term projection of revenues, expenses, and cash flows, the estimated discount rate, and the estimated tax rate. The Company believes these assumptions are consistent with those a hypothetical market participant would use given circumstances that were present at the time the estimates were made. However, actual results and amounts may be significantly different from the Company's estimates. In addition, the use of different estimates or assumptions could result in materially different determinations. If the estimated fair value of a reporting unit is determined to be less than the carrying value of the net assets of the reporting unit including goodwill, additional steps, including an allocation of the estimated fair value to the assets and liabilities of the reporting unit, would be necessary to determine the amount, if any, of goodwill impairment.

As a result of the tests performed during third quarter 2014, there was no impairment of the Company's goodwill. Fair values substantially exceeded the carrying values for each reporting unit tested, except for the specialty fluids reporting unit (a part of the Specialty Fluids and Intermediates ("SFI") operating segment) acquired from Solutia Inc. ("Solutia").

Goodwill of $545 million is allocated to the specialty fluids reporting unit. As of December 31, 2014 the fair value of the specialty fluids reporting unit approximates the carrying value. Two of the most critical assumptions used in the calculation of the fair value of the specialty fluids reporting unit are the long-term growth rate and the discount rate. The Company performed a sensitivity analysis on both of those assumptions. The fair value was 13 percent less than the carrying value with a one percent decrease in the long-term growth rate and 16 percent less than the carrying value with a one percent increase in the discount rate.

In order to determine the discount rate, the Company uses a market perspective weighted average cost of capital ("WACC") approach. The WACC is calculated incorporating weighted average returns on debt and equity from market participants. Therefore, changes in the market, which are beyond the control of the Company, may have an impact on future calculations of estimated fair value.

Indefinite-lived Intangible Assets

The carrying value of indefinite-lived intangible assets is considered to be impaired when the fair value, as established by appraisal or based on discounted future cash flows of certain related products, is less than the respective carrying values.

Indefinite-lived intangible assets, consisting of various tradenames, are tested for potential impairment by comparing the estimated fair value to the carrying amount. The Company uses an income approach, specifically the relief from royalty method, to test indefinite-lived intangible assets. The estimated fair value of the tradenames is determined based on an assumed royalty rate savings, discounted by the calculated market participant WACC plus a one percent risk premium. The carrying value of indefinite-lived intangible assets is considered to be impaired when the estimated fair value is less than the carrying value of the trademarks.

As of July 1, 2014, the testing date, the Company had $567 million in indefinite-lived intangible assets. In third quarter 2014, the Company recognized an impairment of $22 million in the Additives & Functional Products segment to adjust the carrying value of the Crystex® tradename to $135 million as a result of the decrease in projected revenues since the tradename was acquired from Solutia in 2012.

The Company will continue to monitor both goodwill and indefinite-lived intangible assets for any indication of triggering events which might require additional testing before the next required annual impairment test.

Changes in indefinite-lived asset valuation assumptions may result in future indefinite-lived asset impairments. If estimates of fair value less costs to sell are revised, the carrying amount of the related asset would be adjusted, resulting in a charge to earnings.

Environmental Costs

The Company accrues environmental remediation costs when it is probable that the Company has incurred a liability at a contaminated site and the amount can be reasonably estimated. When a single amount cannot be reasonably estimated but the cost can be estimated within a range, the Company accrues the minimum amount. This undiscounted accrued amount reflects liabilities expected to be paid out within 30 years and the Company's assumptions about remediation requirements at the contaminated site, the nature of the remedy, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties. Changes in the estimates on which the accruals are based, unanticipated government enforcement action, or changes in health, safety, environmental, and chemical control regulations and testing requirements could result in higher or lower costs. Estimated future environmental expenditures for remediation costs ranged from the minimum or best estimate of $324 million to the maximum of $548 million at December 31, 2014. The maximum estimated future costs are considered to be reasonably possible and are inclusive of the amounts accrued at December 31, 2014.

In accordance with GAAP, the Company also establishes reserves for closure and postclosure costs associated with the environmental and other assets it maintains. Environmental assets, as defined by GAAP, include but are not limited to waste management units, such as landfills, water treatment facilities, and surface impoundments. When these types of assets are constructed or installed, a loss contingency reserve is established for the future costs anticipated to be associated with the retirement or closure of the asset based on an expected life of the environmental assets and the applicable regulatory closure requirements. These future estimated costs are charged against earnings over the estimated useful life of the assets. Currently, the Company estimates the useful life of each individual asset is up to 50 years. If the Company changes its estimate of the environmental asset retirement obligation costs or its estimate of the useful lives of these assets, expenses charged against earnings could increase or decrease.

In accordance with GAAP, the Company also monitors conditional obligations and recognizes loss contingency associated with them when and to the extent that more detailed information becomes available concerning applicable retirement costs.

The Company's environmental loss contingency reserve, including the above remediation, was $345 million at December 31, 2014 and $368 million at December 31, 2013, representing the minimum or best estimate for remediation costs and the best estimate of the amount accrued to date over the regulated assets' estimated useful lives for asset retirement obligation costs. Amounts at December 31, 2014 included the amount of environmental loss contingencies of the acquired Taminco Corporation businesses. See Note 2, "Acquisitions" to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report.

Pension and Other Postretirement Benefits

The Company maintains defined benefit pension plans that provide eligible employees with retirement benefits. Additionally, Eastman subsidizes life insurance, health care, and dental benefits for eligible retirees, and health care and dental benefits for retirees' eligible survivors. The costs and obligations related to these benefits reflect the Company's assumptions related to general economic conditions (particularly interest rates) and expected return on plan assets. In July 2012, as part of its acquisition of Solutia, the Company assumed Solutia's U.S. and non-U.S. defined benefit pension and other postretirement benefit plans. Prior to the acquisition, the Solutia U.S. pension plans had been closed to new participants and were no longer accruing additional benefits. For valuing the obligations and assets of the Company's U.S. and non-U.S. defined benefit pension plans, the Company assumed weighted average discount rates of 3.80 percent and 3.10 percent, respectively, and a weighted average expected return on plan assets of 7.78 percent and 5.50 percent, respectively, at December 31, 2014. The Company assumed a weighted average discount rate of 3.91 percent for its other postretirement benefit plans and an expected return on plan assets of 3.75 percent for its voluntary employees' beneficiary association retiree trust at December 31, 2014. The cost of providing plan benefits also depends on demographic assumptions including retirements, mortality, turnover, and plan participation.

The Company performed a five year experience study of the assumptions for the U.S. plans in 2014 which included a review of the mortality tables. The Company uses the RP-2000 table with scale AA static improvement scale and no collar adjustment. As a result of the experience study, the Company did not change to the recently published RP-2014 table as the current RP-2000 table with scale AA more closely aligns with the Company's experience.

The projected benefit obligation as of December 31, 2014 and 2015 expense are affected by year-end 2014 assumptions. The following table illustrates the sensitivity to changes in the Company's long-term assumptions in the expected return on assets and assumed discount rate for all pension plans and other postretirement benefit plans. The sensitivities below are specific to the time periods noted. They also may not be additive, so the impact of changing multiple factors simultaneously cannot be calculated by combining the individual sensitivities shown.

Change in Assumption	Impact on 2015 Pre-tax Benefits Expense (Excludes mark-to-market impact) for Pension Plans	Impact on December 31, 2014 Projected Benefit Obligation for Pension Plans		Impact on 2015 Pre-tax Benefits Expense (Excludes mark-to-market impact) for Other Postretirement Benefit Plans	Impact on December 31, 2014 Benefit Obligation for Other Postretirement Benefit Plans
		U.S.	Non-U.S.		
25 basis point decrease in discount rate	-$2 Million	+$60 Million	+$52 Million	-$1 Million	+$27 Million
25 basis point increase in discount rate	+$2 Million	-$59 Million	-$48 Million	+$1 Million	-$27 Million
25 basis point decrease in expected return on assets	+$6 Million	No Impact	No Impact	< +$0.5 Million	No Impact
25 basis point increase in expected return on assets	-$6 Million	No Impact	No Impact	< -$0.5 Million	No Impact

The expected return on assets and assumed discount rate used to calculate the Company's pension and other postretirement benefit obligations are established each December 31. The expected return on assets is based upon prior performance and the long-term expected returns in the markets in which the trusts invest their funds, primarily in the following markets: U.S. and non-U.S. fixed income, U.S. and non-U.S. public equity, private equity, and real estate markets. Moreover, the expected return on plan assets is a long-term assumption and on average is expected to approximate the actual return on assets. Actual returns will be subject to year-to-year variances. The assumed discount rate is based upon a portfolio of high-grade corporate bonds, which are used to develop a yield curve. This yield curve is applied to the expected durations of the pension and other postretirement benefit obligations. As future health care benefits under the U.S. benefit plan have been fixed at a certain contribution amount, changes in the health care cost trend assumptions do not have a material impact on the results of operations.

The Company uses fair value accounting for plan assets. If actual experience differs from long-term assumptions for asset returns and discount rates which were used in determining the current year expense, the difference is recognized immediately as part of the mark-to-market ("MTM") net gain or loss in the fourth quarter of each year, and any other quarter in which an interim remeasurement is triggered. The MTM net gain or loss applied to earnings from continuing operations in 2014, 2013, and 2012 due to the actual experience versus assumptions of returns on plan assets and discount rates for the defined benefit pension and other postretirement benefit plans were a net loss of $304 million, net gain of $383 million, and net loss of $276 million, respectively. At December 31, 2014, the Company's weighted-average assumed discount rate was 3.68 percent, down significantly from the prior year, resulting in an actuarial loss of approximately $375 million. Overall pension asset values increased approximately $70 million due to asset values appreciating in excess of the assumed weighted-average rate of return. The actual return was approximately $255 million, or approximately 9 percent, which was in excess of the expected return of approximately $185 million, or 7.08 percent, and resulted in the approximately $70 million increase.

The Company does not anticipate that a change in pension and other postretirement benefit obligations caused by a change in the assumed discount rate during 2015 will impact the cash contributions to be made to the pension plans during 2015. While the amount of the change in these obligations does not correspond directly to cash funding requirements, it is an indication of the amount the Company will be required to contribute to the plans in future years. The amount and timing of such cash contributions is dependent upon interest rates, actual returns on plan assets, retirement, attrition rates of employees, and other factors. For further information regarding pension and other postretirement benefit obligations, see Note 11, "Retirement Plans", to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report.

Litigation and Contingent Liabilities

From time to time, the Company and its operations are parties to or targets of lawsuits, claims, investigations and proceedings, including product liability, personal injury, asbestos, patent and intellectual property, commercial, contract, environmental, antitrust, health and safety, and employment matters, which are handled and defended in the ordinary course of business. The Company accrues a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When a single amount cannot be reasonably estimated but the cost can be estimated within a range, the Company accrues the minimum amount. The Company expenses legal costs, including those expected to be incurred in connection with a loss contingency, as incurred. Based upon facts and information currently available, the Company believes the amounts reserved are adequate for such pending matters; however, results of operations could be affected by monetary damages, costs or expenses, and charges against earnings in particular periods.

Income Taxes

Amounts of deferred tax assets and liabilities on the Company's balance sheet are based on temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. The ability to realize deferred tax assets is evaluated through the forecasting of taxable income, and domestic and foreign taxes, using historical and projected future operating results, the reversal of existing temporary differences, and the availability of tax planning strategies. Valuation allowances are recognized to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. In the event that the actual outcome from future tax consequences differs from management estimates and assumptions, the resulting change to the provision for income taxes could have a material adverse impact on the consolidated results of operations and statement of financial position. As of December 31, 2014, a valuation allowance of $264 million has been provided against the deferred tax assets.

The Company recognizes income tax positions that meet the more likely than not threshold and accrues interest related to unrecognized income tax positions, which is included as a component of the income tax provision on the balance sheet.

Purchase Accounting

In general, the acquisition method of accounting requires recognition of assets acquired and liabilities assumed at their respective fair values at the date of acquisition. For assets and liabilities other than intangible assets and property, plant, and equipment, the Company estimates fair value using the exit price approach which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly market. An exit price is determined from the viewpoint of unrelated market participants as a whole, in the principal or most advantageous market, and may result in the Company valuing assets or liabilities at a fair value that is not reflective of the Company's intended use of the assets or liabilities. Any amount of the purchase price paid that is in excess of the estimated fair values of net assets acquired or liabilities assumed is recognized in the line item goodwill on the Company's balance sheet.

For intangible assets, the Company uses the income, market, or cost approach (or a combination thereof) for the valuation as appropriate, and uses valuation inputs in these models and analyses that are based on market participant assumptions. Management values property, plant and equipment using the cost approach supported where available by observable market data which includes consideration of obsolescence. Management's judgment is used to determine the estimated fair values assigned to assets acquired and liabilities assumed, and asset lives for property, plant and equipment and amortization periods for intangible assets, and subsequent adjustments to such initial valuations can materially affect the Company's results of operations.

NON-GAAP AND PRO FORMA COMBINED FINANCIAL MEASURES

Non-GAAP and pro forma combined financial measures, and the accompanying reconciliations of the non-GAAP financial measures to the most comparable GAAP measures, are presented in "2014 Overview", "Results of Operations", and "Summary by Operating Segment" in this MD&A.

Company Use of Non-GAAP Financial Measures

In addition to evaluating the Company's financial condition, results of operations, liquidity, and cash flows as reported in accordance with GAAP, Eastman management also evaluates Company and operating segment performance, and makes resource allocation and performance evaluation decisions, excluding the effect of transactions, costs, and losses or gains that do not directly arise from Eastman's normal, or "core", business and operations, or are otherwise of an unusual or non-recurring nature. These transactions, costs, and losses or gains relate to, among other things, cost reduction, growth and profitability improvement initiatives, and other events outside of core business operations (such as MTM losses or gains for pension and other postretirement benefit plans, typically in the fourth quarter of each year and any other quarters in which an interim remeasurement is triggered). Because non-core or non-recurring transactions, costs, and losses or gains may materially affect the Company's, or any particular operating segment's, financial condition or results in a specific period in which they are recognized, Eastman believes it is appropriate to evaluate both the financial measures prepared and calculated in accordance with GAAP and the related non-GAAP financial measures excluding the effect on our results of these non-core or non-recurring items. In addition to using such measures to evaluate results in a specific period, management evaluates such non-GAAP measures, and believes that investors may also evaluate such measures, because such measures may provide more complete and consistent comparisons of the Company's, and its segments', operational performance on a period-over-period historical basis and, as a result, provide a better indication of expected future trends. Management discloses these non-GAAP measures, and the related reconciliations to the most comparable GAAP financial measures, because it believes investors use these metrics in evaluating longer term period-over-period performance, and to allow investors to better understand and evaluate the information used by management to assess the Company's, and its operating segments', performance, make resource allocation decisions and evaluate organizational and individual performance in determining certain performance-based compensation. Non-GAAP measures do not have definitions under GAAP, and may be defined differently by, and not be comparable to, similarly titled measures used by other companies. As a result, management cautions investors not to place undue reliance on any non-GAAP measure, but to consider such measures with the most directly comparable GAAP measure.

Non-GAAP Measures in this Annual Report

The non-core or non-recurring items excluded by management in its evaluation of certain results in this Annual Report are:

- MTM pension and other postretirement benefit plans gains and losses, net, which are actuarial gains and losses measured as the changes in discount rates and other actuarial assumptions and the difference between actual and expected returns on plan assets during the period. These actuarial gains and losses were primarily due to changes in discount rates reflective of changes in global market conditions and interest rates on high-grade corporate bonds and changes in other postretirement benefit plan obligations resulting from a plan amendment, and did not directly arise from Eastman's core business and operations;
- Asset impairments and restructuring charges, net, which, other than severance costs, are not cash transactions impacting profitability;
- Costs resulting from the sale of acquired inventories at fair value, net of the last-in, first-out ("LIFO") impact for certain of these inventories (as required by purchase accounting, these inventories were marked to fair value); and
- Acquisition transaction, pre-close financing, and integration costs of the acquired Solutia, Taminco Corporation ("Taminco"), Commonwealth Laminating & Coating, Inc. ("Commonwealth"), BP plc global aviation turbine engine oil business (the "aviation turbine oil business"), and Knowlton Technologies, LLC ("Knowlton") businesses, which are non-core costs,

in each case for the periods and in the amounts in the table below.

Non-GAAP Financial Measures -- Excluded Non-Core or Non-Recurring Items

(Dollars in millions)	2014	2013	2012
Non-core or non-recurring items impacting operating earnings:			
Mark-to-market pension and other postretirement benefits (gain) loss, net	$ 304	$ (383)	$ 276
Asset impairments and restructuring charges, net	77	76	120
Additional costs of acquired inventories	24	—	79
Acquisition integration costs	24	36	16
Acquisition transaction costs	22	—	28
Non-core or non-recurring items impacting earnings before income taxes:			
Acquisition pre-close financing costs	$ 13	$ —	$ 32

This MD&A includes the effect of the foregoing on the following financial measures:

- Gross profit,
- Selling, general, and administrative ("SG&A") expenses,
- Research and development ("R&D") expenses,
- Operating earnings,
- Net interest expense,
- Other (income) charges, net,
- Earnings from continuing operations, and
- Diluted earnings per share.

For more detail about MTM pension and other postretirement benefit plans gains and losses, net, including actual and expected return on plan assets and the components of the net gain or loss, see "CRITICAL ACCOUNTING ESTIMATES -- Pension and Other Postretirement Benefits" above and Note 11, "Retirement Plans - Summary of Changes and - Summary of Benefit Costs and Other Amounts Recognized in Other Comprehensive Income" to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report.

Pro Forma Combined Financial Information

In order to provide more meaningful comparison of results, some of the following corporate and segment discussion and analysis includes both actual results for all periods presented and results on a "pro forma combined" basis. The unaudited pro forma combined information is based on the historical consolidated financial statements of both Eastman and Solutia and has been prepared to illustrate the effects of the Company's acquisition of Solutia, assuming the acquisition of Solutia had been consummated January 1, 2012, the beginning of the earliest period presented. The unaudited pro forma combined information reflects only the combination of Eastman and Solutia and does not give pro forma effect to any other transactions or events. For 2012, pro forma combined results reflect actual results for third and fourth quarter 2012 plus pro forma combined results for the first six months 2012.

The unaudited pro forma combined information is not necessarily indicative of the results of operations, or the financial position, that would have actually occurred had the acquisition been completed as of the dates indicated, nor is it indicative of the future operating results, or financial position, of Eastman. The unaudited pro forma combined information did not reflect future events that may have occurred or may still occur after the acquisition of Solutia, including the potential realization of any future operating cost savings (synergies) or restructuring activities or other costs related to the integration of Solutia and yet to be incurred, and did not consider potential impacts of then current market conditions on revenues or expense efficiencies.

The unaudited pro forma combined information includes certain adjustments for additional depreciation and amortization expense based upon the fair value step-up and estimated useful lives of Solutia depreciable fixed assets and limited-life amortizable assets acquired in the transaction. Additionally, in the preparation of unaudited pro forma combined sales and earnings from continuing operations, Solutia's historical consolidated results have been retrospectively adjusted for the change in accounting methodology for pension and other postretirement benefit plans actuarial losses and gains adopted by Eastman during first quarter 2012. The information also includes adjustments to Solutia exclusions from operating earnings in order to be consistent with Eastman's non-GAAP presentation.

In addition, certain pro forma combined financial information for the acquisition of Taminco is presented in the Company's Current Report on Form 8-K/A filed February 19, 2015.

Other Non-GAAP Financial Measures

Alternative Non-GAAP Cash Flow Measures

In addition to the non-GAAP measures presented in this Annual Report and other periodic reports, from time to time management evaluates and discloses to investors and securities analysts the non-GAAP measure cash provided by operating activities excluding certain non-core or non-recurring items ("cash provided by operating activities, as adjusted") when analyzing, among other things, business performance, liquidity and financial position, and performance-based compensation. Eastman management uses this non-GAAP measure in conjunction with the GAAP measure cash provided by operating activities because it believes it is a more appropriate metric to evaluate the cash flows from Eastman's core operations that are available to grow the business and create stockholder value, and because it allows for a more consistent period-over-period presentation of such amounts. In its evaluation, Eastman management generally excludes the impact of certain non-core activities and decisions of management because such activities and decisions are not considered core, ongoing components of operations and the decisions to undertake or not to undertake such activities may be made irrespective of the cash generated from operations. From time to time, management discloses this non-GAAP measure and the related reconciliation to investors and securities analysts to allow them to better understand and evaluate the information used by management in its decision making processes and because management believes investors and securities analysts use similar measures to assess Company performance, liquidity, and financial position over multiple periods and to compare these with other companies.

Similarly, from time to time, Eastman may disclose to investors and securities analysts one or both of the alternative non-GAAP measures of "free cash flow", which management defines as (i) cash provided by operating activities, as adjusted, described above, less the amounts of capital expenditures and dividends, and (ii) cash provided by operating activities, as adjusted, described above, less the amount of capital expenditures. Management believes such items are generally funded from available cash and, as such, should be considered in determining free cash flow. Eastman management believes these are appropriate metrics to use to evaluate the Company's overall ability to generate cash to fund future operations, inorganic growth opportunities, and to meet the Company's debt repayment obligations. Management believes these metrics are useful to investors and securities analysts in order to provide them with information similar to that used by management in evaluating potential future cash available for various initiatives and because management believes investors and securities analysts often use a similar measure of free cash flow to compare the results, and value, of comparable companies.

Alternative Non-GAAP Earnings Measures

From time to time, Eastman may disclose to investors and securities analysts the non-GAAP earnings measures "Adjusted EBITDA" and "Return on Invested Capital" (or "ROIC"). Management defines "Adjusted EBITDA" as "EBITDA" (net earnings or net earnings per share before interest, taxes, depreciation and amortization) adjusted to exclude the same non-core and non-recurring items as are excluded from the Company's other non-GAAP earnings measures for the same periods. "EBITDA Margin" is Adjusted EBITDA divided by the GAAP measure sales revenue in the Company's income statement for the same periods. Management defines "ROIC" as net income plus interest expense after tax divided by average total borrowings plus average stockholders' equity for the periods presented, each derived from the GAAP measures in the Company's financial statements for the periods presented. Management believes that Adjusted EBITDA and ROIC are useful as supplemental measures in evaluating the performance of and returns from Eastman's operating businesses, and from time to time uses such measures in internal performance calculations. Further, management understands that investors and securities analysts often use similar measures of Adjusted EBITDA and ROIC to compare the results, returns, and value, of the Company with those of other companies.

2014 OVERVIEW

Eastman's businesses are managed and reported in five reporting segments: Additives & Functional Products ("AFP"), Adhesives & Plasticizers ("A&P"), Advanced Materials ("AM"), Fibers, and Specialty Fluids & Intermediates ("SFI"). Taminco's former specialty amines and crop protection businesses are managed and reported in the AFP segment. The acquired Commonwealth business is managed and reported in the AM segment. Taminco's former functional amines business and the acquired aviation turbine oil business are managed and reported in the SFI segment. Eastman management believes that the Company's end-market diversity is a source of strength, and that many of the markets into which the Company’s products are sold are benefiting from longer-term global trends such as energy efficiency, a rising middle class in emerging economies, and an increased focus on health and wellness. Management believes that these trends, combined with the diversity of the Company's end markets, facilitate more consistent demand for the Company's products over time. The businesses acquired from Taminco are expected to provide additional opportunities for growth in agriculture, personal care, coatings, and oil and gas markets. Eastman is focused on consistent earnings growth through a market-driven approach that takes advantage of the Company's existing technology platforms, global market and manufacturing presence, and leading positions in key end markets.

The Company generated sales revenue of $9.5 billion and $9.4 billion for 2014 and 2013, respectively. The sales revenue increase of $177 million in 2014 was primarily due to higher AFP, A&P, and AM segment sales volume and higher Fibers segment selling prices, partially offset by lower Fibers segment sales volume.

Operating earnings were $1.2 billion in 2014 compared to $1.9 billion in 2013. Excluding the non-core or non-recurring items referenced in "Non-GAAP and Pro Forma Combined Financial Measures", operating earnings were $1.61 billion in 2014 and $1.59 billion in 2013. Operating earnings in 2014 increased slightly as higher sales volume and improved product mix, particularly in the AM segment, higher selling prices, primarily in the Fibers segment, more than offset higher raw material and energy costs particularly for propane in the first half of the year, primarily in the SFI segment, and the cost of manufacturing capacity shutdowns.

As described in more detail in "Results of Operations", earnings from continuing operations and diluted earnings per share attributable to Eastman were as follows:

	2014		2013	
(Dollars in millions, except diluted EPS)	$	EPS	$	EPS
Earnings from continuing operations, net of tax	$ 749	$ 4.95	$ 1,165	$ 7.44
MTM pension and other postretirement benefit plans (gain) loss, net of tax	202	1.34	(233)	(1.49)
Asset impairments and restructuring charges, net of tax	63	0.42	53	0.34
Acquisition transaction and integration costs, net of tax	39	0.26	23	0.15
Additional costs of acquired inventories, net of tax	15	0.10	—	—
Earnings from continuing operations excluding non-core or non-recurring items, net of tax	$ 1,068	$ 7.07	$ 1,008	$ 6.44

The Company generated $1.4 billion in cash from operating activities in 2014, compared to $1.3 billion cash generated from operating activities during 2013. The increase in cash from operating activities was primarily due to higher cash earnings and lower income tax payments partially offset by higher variable compensation payouts and increased working capital requirements.

In 2014, the Company progressed on both organic (internal) and inorganic (external growth through joint ventures and acquisitions) growth initiatives, including:

- completing the acquisition of Taminco, which is expected to:
    - strengthen Eastman's presence in attractive niche markets benefiting from megatrends;
    - leverage a world-class technology platform underpinned by a business model similar to Eastman's;
    - provide synergy opportunities; and
    - accelerate revenue and earnings growth prospects;
- completing the integration of Solutia;

- in the AFP segment:
  - proceeding with a 40,000 metric ton expansion of the Crystex® insoluble sulfur rubber additives manufacturing facility in Kuantan, Malaysia, expected to be operational in the first half of 2017, and retrofitting an existing manufacturing facility in Germany expected to be operational in the second half of 2015. These actions are expected to capitalize on recent enhancements of technology for the manufacture of Crystex® insoluble sulfur by improving the Company's cost position and enhancing product characteristics; and
  - adding Taminco's former specialty amines and crop protection businesses;
- in the A&P segment, completing a capacity expansion of Eastman 168™ non-phthalate plasticizers at the manufacturing facility in Texas City, Texas in second quarter 2014;
- in the AM segment:
  - completing an expansion of Eastman Tritan™ copolyester capacity and beginning an additional 60,000 metric ton expansion of Eastman Tritan™ copolyester capacity at the Kingsport, Tennessee manufacturing facility in fourth quarter 2014 which is expected to be operational in early 2017 to meet expected demand for Eastman Tritan™ copolyester; and
  - completing the acquisition of Commonwealth to strengthen the window film product portfolio, add industry leading protective film technology, and increase scale cost efficiencies;
- in the SFI segment:
  - completing the acquisition of the aviation turbine oil business to broaden Eastman product offerings to better supply the global aviation industry;
  - continuing a Therminol® heat transfer fluid capacity expansion in Newport, Wales, which is expected to be operational in the second half of 2015 to support expected long-term demand growth in the industrial chemicals and processing market; and
  - adding Taminco's former functional amines business; and
- completing the acquisition of Knowlton Technologies, a leader in wet-laid nonwovens, to accelerate the innovation cycle for the Eastman™ microfibers technology platform.

RESULTS OF OPERATIONS

The Company's results of operations as presented in the Company's consolidated financial statements in Part II, Item 8 of this Annual Report are summarized and analyzed below.

SUMMARY OF CONSOLIDATED RESULTS

	2014 Compared to 2013			2013 Compared to 2012		
(Dollars in millions)	2014	2013	%	2013	2012	%
Sales	$ 9,527	$ 9,350	2%	$ 9,350	$ 8,102	15%
Volume effect			1%			15%
Price effect			1%			—%
Exchange rate effect			—			—

Pro Forma Combined Sales	$ 9,350	$ 9,120	3%
Volume effect			3%
Price effect			—%
Exchange rate effect			—%

2014 Compared to 2013

Sales revenue increased $177 million in 2014 compared to 2013 primarily due to higher AFP, A&P, and AM segments sales volume and higher Fibers segment selling prices, partially offset by lower Fibers segment sales volume. The higher AFP segment sales volume was primarily due to sales of products of the acquired Taminco specialty amines and crop protection product lines and higher coatings products sales volume. The higher A&P segment sales volume was primarily attributed to stronger adhesives resins products end-market demand and the continued substitution of phthalate plasticizers with Eastman non-phthalate plasticizers. The higher AM segment sales volume was primarily due to higher premium product sales, including Eastman Tritan™ copolyester and interlayers with acoustic properties. The lower Fibers segment sales volume was primarily due to lower acetate tow volume attributed to additional industry capacity.

2013 Compared to 2012

Sales revenue increased $1,248 million in 2013 compared to 2012. Sales revenue increased primarily due to volume in first six months 2013 from the acquired Solutia product lines in the AM, AFP, and SFI segments. Sales volume also increased as a result of higher solvents products sales volume in the AFP segment and higher Eastman Tritan™ copolyester sales volume in the AM segment partially offset by weakened demand for adhesives resins in the A&P segment.

On a pro forma combined basis, sales revenue increased slightly in 2013 compared to 2012 primarily due to higher sales volume in all other operating segments more than offsetting lower A&P segment sales volume.

	2014 Compared to 2013			2013 Compared to 2012		
(Dollars in millions)	2014	2013	Change	2013	2012	Change
Gross Profit	$ 2,221	$ 2,776	(20)%	$ 2,776	$ 1,762	58%
Mark-to-market pension and other postretirement benefit (gain) loss, net	240	(297)		(297)	208	
Additional costs of acquired inventories	24	—		—	79	
Gross Profit excluding non-core or non-recurring items	$ 2,485	$ 2,479	— %	$ 2,479	$ 2,049	21%

2014 Compared to 2013

Gross profit decreased $555 million in 2014 compared with 2013 primarily due to the $240 million MTM pension and other postretirement benefit adjustment loss in 2014 and a $297 million MTM pension and other postretirement benefit adjustment gain in 2013. The $297 million MTM gain included a $68 million MTM gain triggered by an other postretirement benefit plan amendment. Excluding non-core or non-recurring items, gross profit increased slightly as higher gross profit in the AM, Fibers, and A&P segments was partially offset by lower gross profit in the SFI segment. The lower SFI segment gross profit was primarily due to higher raw material and energy costs, particularly for propane in the first half of the year, exceeding higher selling prices, primarily for intermediates, by $33 million and due to $27 million of manufacturing capacity shutdown costs.

2013 Compared to 2012

Gross profit increased $1.0 billion in 2013 compared with 2012 with increases in all segments except the A&P segment. Gross profit in 2013 included a $297 million MTM pension and other postretirement benefit adjustment gain. The $297 million MTM gain included a $68 million MTM gain triggered by an other postretirement benefit plan amendment. Gross profit in 2012 included a $208 million MTM pension and other postretirement benefit adjustment loss and $79 million of additional costs of acquired Solutia inventories. Excluding these non-core or non-recurring items, higher gross profit was primarily due to gross profit of the acquired Solutia businesses during first six months 2013 of $284 million and higher sales volume of $83 million in all segments except the A&P segment which had lower sales volume of $25 million. Gross profit also increased due to higher selling prices more than offsetting higher raw material and energy costs by $69 million in the Fibers segment and lower raw material and energy costs more than offsetting lower selling prices by $22 million in the AM segment partially offset by lower A&P segment selling prices and higher raw material and energy costs of $49 million. Gross profit also benefited from decreased "Other" loss primarily for lower Perennial Wood™ growth initiative operating costs.

(Dollars in millions)	2014 Compared to 2013			2013 Compared to 2012		
	2014	2013	Change	2013	2012	Change
Selling, General & Administrative Expenses	$ 755	$ 645	17 %	$ 645	$ 644	—%
Mark-to-market pension and other postretirement benefit gain (loss), net	(57)	76		76	(58)	
Acquisition integration costs	(24)	(36)		(36)	(16)	
Acquisition transaction costs	(22)	—		—	(28)	
Selling, General, and Administrative Expenses excluding non-core or non-recurring items	$ 652	$ 685	(5)%	$ 685	$ 542	26%

2014 Compared to 2013

SG&A expenses in 2014 were higher compared to 2013. SG&A expenses in 2014 included a $57 million MTM pension and other postretirement benefit adjustment loss. SG&A expenses in 2013 were reduced by a $76 million MTM pension and other postretirement benefit adjustment gain.

Excluding non-core or non-recurring items, SG&A expenses in 2014 were lower compared to 2013 primarily due to Solutia acquisition cost reduction synergies and lower share-based compensation expense.

2013 Compared to 2012

SG&A expenses in 2013 were higher compared to 2012. SG&A expenses in 2013 were reduced by a $76 million MTM pension and other postretirement benefit adjustment gain. SG&A expenses in 2012 included a $58 million MTM pension and other postretirement benefit adjustment loss due to pension and other postretirement benefit adjustments. SG&A expenses also increased due to SG&A costs of the acquired Solutia businesses during first six months 2013 of $101 million, and higher expense for employee compensation, primarily annual performance-based compensation, higher expense for share-based compensation, and higher costs of growth initiatives for existing businesses and the related supporting functions partially offset by Solutia acquisition cost reduction synergies.

Excluding non-core or non-recurring items, SG&A expenses in 2013 were higher compared to 2012 primarily due to SG&A expenses of the acquired Solutia businesses during first six months 2013 of $101 million, higher expense for employee compensation, primarily annual performance-based compensation, higher expense for share-based compensation, and higher costs of growth initiatives for existing businesses and the related supporting functions partially offset by Solutia acquisition cost reduction synergies.

	2014 Compared to 2013			2013 Compared to 2012		
(Dollars in millions)	2014	2013	Change	2013	2012	Change
Research & Development Expenses	$ 227	$ 193	18%	$ 193	$ 198	(3)%
Mark-to-market pension and other postretirement benefit gain (loss), net	(7)	10		10	(10)	
Research & Development Expenses excluding non-core or non-recurring items	$ 220	$ 203	8%	$ 203	$ 188	8 %

2014 Compared to 2013

R&D expenses were higher for 2014 compared to 2013. R&D expenses in 2014 included a $7 million MTM pension and other postretirement benefit adjustment loss. R&D expenses in 2013 were reduced by a $10 million MTM pension and other postretirement benefit adjustment gain. Excluding non-core and non-recurring items, R&D expenses were higher in 2014 compared to 2013 primarily due to increased R&D for growth initiatives in the AFP and AM segments.

2013 Compared to 2012

R&D expenses were slightly higher for 2013 compared to 2012. R&D expenses in 2013 were reduced by a $10 million MTM pension and other postretirement benefit adjustment gain. R&D expenses in 2012 included a $10 million MTM pension and other postretirement benefit adjustment loss. R&D expenses also increased due to R&D costs of the acquired Solutia businesses of $26 million during first six months 2013.

Asset Impairments and Restructuring Charges, Net

2014

In 2014, there were net asset impairments and restructuring charges of $77 million.

In 2014, asset impairments of $18 million and restructuring charges, including severance, of $24 million were recognized in the AFP segment for the closure of a Crystex® R&D facility in France.

As a result of the annual impairment testing of indefinite-lived intangible assets in 2014, the Company recognized an intangible asset impairment of $22 million in the AFP segment to adjust the carrying value of the Crystex® tradename to $135 million. This impairment resulted from a decrease in projected revenues since the tradename was acquired from Solutia in 2012. The estimated fair value was determined using an income approach, specifically the relief from royalty method.

In addition, during 2014, a change in estimate of certain costs for the fourth quarter 2012 termination of the operating agreement for the São Jose dos Campos, Brazil site resulted in a $5 million restructuring charge in addition to previously recognized asset impairments and restructuring charges.

During 2014, the Company recognized gains from the sales of previously impaired assets at the former Photovoltaics production facility in Germany and a former polymers production facility in China of $5 million and $2 million, respectively.

In 2014, charges in the AM segment included $10 million of asset impairments, including intangible assets, and $2 million of restructuring charges primarily due to the closure of a production facility in Taiwan for the Flexvue® product line. In addition, there were $5 million of restructuring charges for severance associated with the continued integration of the acquired Solutia businesses.

2013

In 2013, there were $76 million of net asset impairments and restructuring charges, including $23 million of restructuring charges primarily for severance associated with the continued integration of Solutia.

During 2013, management decided not to continue its Perennial Wood™ growth initiative. This resulted in asset impairment charges of $16 million and restructuring charges of $14 million primarily for inventory and contract termination costs. Also during fourth quarter 2013, management decided to terminate efforts to develop a continuous resin process in Kuantan, Malaysia and Antwerp, Belgium. This resulted in asset impairment charges of $4 million.

During 2013, management decided to shut-down the Photovoltaics product line, including the primary production facility in Germany. This resulted in the Company recognizing asset impairments of $8 million and restructuring charges of $6 million including charges for severance.

During 2013, management also approved a voluntary separation plan for certain employees, resulting in recognition of severance charges of $6 million.

In addition, during 2013, a change in estimate for certain costs for the fourth quarter 2012 termination of the operating agreement for the São Jose dos Campos, Brazil site resulted in a $4 million reduction of previously recognized asset impairments and restructuring charges.

2012

In 2012, there were $120 million in asset impairments and restructuring charges and gains, net.

During 2012, the Company terminated an operating agreement at the acquired Solutia facility in São Jose dos Campos, Brazil. This resulted in asset impairments and restructuring charges of $35 million. Restructuring charges for the shutdown of manufacturing activities at this site included contract termination costs for severance and other required costs under the operating agreement and impairment of the long-lived assets at the site.

During 2012, management approved the closure of a production facility in China. Based on business analyses, management concluded that production of the related product lines would be more efficiently performed at the Kingsport, Tennessee facility. This resulted in asset impairment and restructuring charges of $6 million.

During 2012, acquisition related restructuring charges of $32 million were recognized primarily for severance costs associated with the acquisition and integration of Solutia.

During 2012, the Company ceased research and development activities for renewable chemicals at a site it acquired in 2011, resulting in asset impairments and restructuring charges of $4 million.

During 2012, the Company recognized asset impairments of $17 million due to a change in approach to address recently finalized boiler air emissions regulations. The Company had incurred engineering costs associated with required modifications for its existing steam and electric generation capacity. However, based on the current availability of natural gas and the lower cost of operation, management determined that conversion to natural gas fueled boilers was more cost efficient. The Company entered into long-term natural gas supply agreements with a third party in fourth quarter 2012, triggering the impairment of the project.

During 2012, management decided to cease production of certain products in its Perennial Wood™ growth initiative. As a result, a restructuring charge of $17 million was recognized in fourth quarter for inventory costs in excess of recoverable value of these product lines and to accrue for losses on take-or-pay contracts with third parties. An analysis was performed to determine what, if any, impairment may be required for the associated fixed assets. Based on the expected life of the assets and intended uses within the Company's continuing acetylation initiatives, there was no impairment.

During 2012, the Company also recognized asset impairments related to land retained from the previously discontinued industrial gasification project. Based on fair value indicators, the carrying value of the Beaumont land was reduced by $6 million.

Operating Earnings

(Dollars in millions)	2014 Compared to 2013			2013 Compared to 2012		
	2014	2013	Change	2013	2012	Change
Operating earnings	$ 1,162	$ 1,862	(38)%	$ 1,862	$ 800	133%
Mark-to-market pension and other postretirement benefit (gain) loss, net	304	(383)		(383)	276	
Asset impairments and restructuring charges, net	77	76		76	120	
Additional costs of acquired inventories	24	—		—	79	
Acquisition integration costs	24	36		36	16	
Acquisition transaction costs	22	—		—	28	
Operating earnings excluding non-core or non-recurring items	$ 1,613	$ 1,591	1 %	$ 1,591	$ 1,319	21%

Pro Forma Combined Operating Earnings

(Dollars in millions)	2013 Compared to 2012		
	2013	2012	Change
Operating earnings	$ 1,862	$ 940	98%
Mark-to-market pension and other postretirement benefit (gain) loss, net	(383)	276	
Asset impairments and restructuring charges, net [1]	76	125	
Acquisition transaction costs	—	53	
Acquisition integration costs	36	16	
Additional costs of acquired inventories	—	79	
Operating earnings excluding non-core or non-recurring items	$ 1,591	$ 1,489	7%

[1] 2012 included acquisition related expenses of $5 million for the Solutia Southwall acquisition.

On a pro forma combined basis, operating earnings increased in 2013 compared to 2012. Excluding non-core or non-recurring items, operating earnings increased primarily due to higher sales volume and higher capacity utilization of approximately $96 million and lower raw material and energy costs more than offsetting lower selling prices by approximately $16 million. Pro forma combined operating earnings also increased due to lower costs for "Other", including lower Perennial Wood™ growth initiative operating costs.

Net Interest Expense

(Dollars in millions)	2014 Compared to 2013			2013 Compared to 2012		
	2014	2013	Change	2013	2012	Change
Gross interest costs	$ 210	$ 190		$ 190	$ 152	
Less: Capitalized interest	7	4		4	4	
Interest expense	203	186	9%	186	148	26%
Interest income	16	6		6	5	
Net interest expense	187	180		180	143	
Acquisition pre-close financing costs	(3)	—		—	(9)	
Net interest expense excluding acquisition pre-close financing costs	$ 184	$ 180	2%	$ 180	$ 134	34%

2014 Compared to 2013

Net interest expense increased $7 million in 2014 compared to 2013. The increase was primarily due to the interest on the additional $500 million of debt in May 2014 and on the additional $3 billion debt in fourth quarter 2014 as partial financing of the Taminco acquisition. The increase was partially offset by repayment in 2013 of the five-year term loan (the "Term Loan") used to finance part of the Solutia acquisition.

The Company expects 2015 net interest expense to increase primarily due to a full year of interest on the borrowings incurred to finance the Taminco acquisition.

2013 Compared to 2012

Net interest expense increased $37 million in 2013 compared to 2012. The increase was primarily due to a full year of interest on borrowings incurred to finance the acquisition of Solutia. The pre-close financing costs in 2012 were interest expense for Solutia acquisition borrowings.

Other (Income) Charges, Net

(Dollars in millions)	2014	2013	2012
Foreign exchange transaction (gains) losses, net	$ (7)	$ 7	$ (4)
Acquisition pre-close financing costs	10	—	23
(Income) loss from equity investments and other investment (gains) losses, net	(13)	(5)	(9)
Other, net	(5)	1	(2)
Other (income) charges, net	(15)	3	8
Acquisition pre-close financing costs	(10)	—	(23)
Other (income) charges, net excluding acquisition pre-close financing costs	$ (25)	$ 3	$ (15)

Included in other (income) charges, net are gains or losses on foreign exchange transactions, equity investments, business venture investments, non-operating assets, and certain litigation costs and earnings. Acquisition pre-close financing costs recognized in "Other (income) charges, net" during 2014 were Taminco acquisition borrowing fees and during 2012 were Solutia acquisition borrowing fees.

Provision for Income Taxes from Continuing Operations

	2014 Compared to 2013			2013 Compared to 2012		
(Dollars in millions)	2014	2013	Change	2013	2012	Change
Provision for income taxes from continuing operations	$ 235	$ 507	(54)%	$ 507	$ 206	146%
Effective tax rate	24%	30%		30%	32%	

The 2014 effective tax rate reflects continued benefit from the integration of Eastman and Solutia business operations and legal entity structures. The 2014 effective tax rate also reflects the benefit from the one-year extension of favorable U.S. Federal tax provisions in December 2014, which resulted in a net benefit of $15 million primarily related to research and development credits and deferral of certain earnings of foreign subsidiaries from U.S. income taxes. The Company expects the 2015 tax rate on reported earnings before income tax to be between 26 percent and 27 percent, excluding non-core or non-recurring items.

The 2013 effective tax rate reflected the positive impact of integrating the Eastman and Solutia business operations and legal entity structures, a $14 million benefit primarily due to adjustments to the tax provision to reflect the finalization of the 2012 consolidated U.S. Federal income tax return, a $14 million benefit for finalization of foreign tax audits, and the enactment of the American Taxpayer Relief Act of 2012 in January 2013 which resulted in a $10 million benefit primarily from an R&D tax credit.

The 2012 effective tax rate reflected a $12 million tax benefit for favorable audit settlements and the expiration of the relevant statute of limitations, a $9 million tax benefit for additional state tax credits, and a $5 million tax charge for nondeductible transaction costs.

Earnings from Continuing Operations and Diluted Earnings per Share

	2014		2013		2012	
(Dollars in millions, except per share amounts)	$	EPS	$	EPS	$	EPS
Earnings from continuing operations	$ 749	$ 4.95	$ 1,165	$ 7.44	$ 436	$ 2.92
Mark-to-market pension and other postretirement benefit (gain) loss, net of tax	202	1.34	(233)	(1.49)	178	1.20
Asset impairments and restructuring charges, net of tax	63	0.42	53	0.34	80	0.54
Acquisition transaction, integration, and pre-close financing costs, net of tax	39	0.26	23	0.15	52	0.35
Additional costs of acquired inventories, net of tax	15	0.10	—	—	56	0.37
Earnings from continuing operations excluding non-core or non-recurring items	$ 1,068	$ 7.07	$ 1,008	$ 6.44	$ 802	$ 5.38

Net Earnings and Diluted Earnings per Share

	2014		2013		2012	
(Dollars in millions, except per share amounts)	$	EPS	$	EPS	$	EPS
Earnings from continuing operations	$ 749	$ 4.95	$ 1,165	$ 7.44	$ 436	$ 2.92
Earnings from discontinued operations, net of tax	2	0.02	—	—	—	—
Gain from disposal of discontinued operations, net of tax	—	—	—	—	1	0.01
Net earnings	$ 751	$ 4.97	$ 1,165	$ 7.44	$ 437	$ 2.93

In 2014, the Company recognized $2 million, net of tax, in earnings from discontinued operations from final settlement of commercial litigation related to the previously discontinued polyethylene terephthalate ("PET") business.

SUMMARY BY OPERATING SEGMENT

Eastman has five reporting segments: Additives & Functional Products ("AFP"), Adhesives & Plasticizers ("A&P"), Advanced Materials ("AM"), Fibers, and Specialty Fluids & Intermediates ("SFI"). For additional financial and product information for each segment, see Business -- Business Segments in Part 1, Item 1 of this Annual Report and Note 20, "Segment Information", to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report.

Additives & Functional Products Segment

	2014 Compared to 2013				2013 Compared to 2012			
			Change				Change	
(Dollars in millions)	2014	2013	$	%	2013	2012	$	%
Sales	$ 1,821	$ 1,719	$ 102	6 %	$ 1,719	$ 1,332	$ 387	29 %
Volume effect			82	5 %			393	29 %
Price effect			20	1 %			(5)	— %
Exchange rate effect			—	— %			(1)	— %
Operating earnings	329	405	(76)	(19)%	405	285	120	42 %
Additional costs of acquired inventories	7	—	7		—	21	(21)	
Asset impairments and restructuring charges, net	62	1	61		1	17	(16)	
Operating earnings excluding non-core or non-recurring items	398	406	(8)	(2)%	406	323	83	26 %

	(1)	(1)		
Pro forma combined sales[1]	$ 1,719	$ 1,613	$ 106	7 %
Volume effect			122	8 %
Price effect			(13)	(1)%
Exchange rate effect			(3)	— %
Pro forma combined operating earnings	405	357	48	13 %
Additional costs of acquired Solutia inventories	—	21	(21)	
Pro forma combined asset impairments and restructuring charges, net	1	17	(16)	
Pro forma combined operating earnings excluding non-core or non-recurring items	406	395	11	3 %

(1) "Pro forma combined" gives effect to the acquisition of Solutia as if it had been completed at January 1, 2012

2014 Compared to 2013

Sales revenue in 2014 increased compared to 2013 primarily due to higher coatings products sales volume and selling prices and the sales of products of the acquired Taminco specialty amines and crop protection businesses more than offsetting lower rubber additives sales volume. The higher coatings sales volume and selling prices were attributed to strengthened demand in key end markets, particularly building and construction and transportation. The lower rubber additives sales volume was primarily attributed to decreased commercial tire production in Asia Pacific.

Operating earnings in 2014 decreased compared to 2013. Operating earnings in 2014 included $62 million of asset impairments and restructuring charges, primarily $42 million for the closure of a Crystex® R&D facility in France and a $22 million intangible asset impairment of the Crystex® tradename. The impairment of the Crystex® tradename is a result of a decrease in projected revenue since the tradename was acquired from Solutia in 2012. Operating earnings in fourth quarter 2014 included $7 million of additional costs of the acquired Taminco specialty amines and crop protection business inventories. Excluding non-core or non-recurring items, operating earnings decreased in 2014 compared to 2013. The decrease was primarily due to higher raw material and energy costs, particularly for propane in the first half of 2014, offsetting higher selling prices by $17 million and $7 million of lower rubber additives sales volume. The decrease was partially offset by $13 million of higher sales volume, primarily sales of coatings products and the sales of products of the acquired Taminco specialty amines business.

2013 Compared to 2012

Sales revenue in 2013 increased compared to 2012 primarily due to $276 million in sales volume in first six months 2013 from the Solutia product lines acquired in third quarter 2012. Sales revenue also increased due to higher solvents product lines sales volume attributed to strengthened coatings demand in the building and construction market supported by capacity additions at the Longview, Texas facility. Crystex® insoluble sulfur sales volume, particularly in Asia Pacific, and cellulosic polymers sales volume increased attributed to strengthened transportation market demand. Polymers products sales revenue in 2013 included sales revenue of certain products sold primarily into the tires market which were previously reported in the A&P segment. These products had sales revenue of $49 million in 2012.

Pro forma combined sales revenue in 2013 increased compared to 2012 primarily due to higher solvents, Crystex® insoluble sulfur, and cellulosic polymers products sales volume. Polymers products sales revenue in 2013 included sales revenue of certain products sold primarily into the tires market which were previously reported in the A&P segment. These products had sales revenue of $49 million in 2012.

Operating earnings in 2013 increased compared to 2012 primarily due to $52 million of operating earnings in first six months 2013 from the acquired Solutia product lines. In addition, operating earnings increased due to higher sales volume. Operating earnings in 2012 included $21 million of additional costs of acquired Solutia inventories. Operating earnings in 2012 also included $17 million of asset impairments and restructuring charges including $8 million for termination of an operating agreement at the acquired Solutia manufacturing facility in São Jose Dos Campos, Brazil and related manufacturing facility closure costs, and $6 million for the closure of a production facility in China.

Pro forma combined operating earnings in 2013 increased slightly compared to 2012. Operating earnings increased due to higher sales volume of $38 million. This increase was partially offset by $12 million due to lower selling prices and higher raw material and energy costs for antidegradants rubber additives product lines attributed to competitive conditions in a relatively weak tire market, and $5 million of higher costs of growth initiatives for existing businesses. Operating earnings were also negatively impacted by $8 million for lower rubber additives manufacturing facilities capacity utilization in 2013 compared to higher capacity utilization to build inventory in 2012. Operating earnings in 2012 included $21 million of additional costs of acquired Solutia inventories. Operating earnings in 2012 also included $17 million of asset impairments and restructuring charges including $8 million for termination of an operating agreement at the acquired Solutia manufacturing facility in São Jose Dos Campos, Brazil and related manufacturing facility closure costs; and $6 million for the closure of a production facility in China.

Growth Initiatives

In December 2014, the Company acquired the Taminco specialty amines and crop protection businesses. Management expects the specialty amines and crop protection businesses to enhance Eastman's presence and provide additional opportunities for AFP growth in attractive niche markets including personal care, coatings, oil and gas, and feed and animal nutrition markets.

The Company is proceeding with a 40,000 metric ton expansion of the Crystex® insoluble sulfur rubber additives manufacturing facility in Kuantan, Malaysia, expected to be operational in the first half of 2017, and retrofitting an existing manufacturing facility in Germany expected to be operational in the second half of 2015. These actions are expected to allow the Company to capitalize on recent enhancements of its technology for the manufacture of Crystex® insoluble sulfur by improving its cost position and enhancing product characteristics.

Adhesives & Plasticizers Segment

	2014 Compared to 2013				2013 Compared to 2012			
			Change				Change	
(Dollars in millions)	2014	2013	$	%	2013	2012	$	%
Sales	$ 1,363	$ 1,326	$ 37	3 %	$ 1,326	$ 1,432	$ (106)	(7)%
Volume effect			61	5 %			(69)	(5)%
Price effect			(28)	(2)%			(30)	(2)%
Exchange rate effect			4	— %			(7)	— %
Operating earnings	196	172	24	14 %	172	260	(88)	(34)%
Asset impairments and restructuring charges, net	—	1	(1)		1	3	(2)	
Operating earnings excluding non-core or non-recurring items	196	173	23	13 %	173	263	(90)	(34)%

2014 Compared to 2013

Sales revenue in 2014 increased compared to 2013 primarily due to higher sales volume more than offsetting lower selling prices. Higher plasticizers products sales volume was primarily attributed to the substitution of phthalate plasticizers with Eastman non-phthalate plasticizers. Higher adhesives resins products sales volume was primarily attributed to stronger end-market demand, particularly for packaging and hygiene, and customer inventory management that negatively impacted first half 2013 sales volume. Lower plasticizers products selling prices were primarily due to continued competitive pressures resulting from weakened demand in Asia Pacific and Europe. Lower adhesives resins products selling prices were primarily due to continued competitive pressure resulting from greater industry supply attributed to increased availability of key raw materials and additional competitor capacity in the first half of 2014.

Operating earnings in 2014 increased compared to 2013 primarily due to $22 million of lower operating costs including the benefit of higher capacity utilization that resulted in lower unit costs and targeted cost reductions, and $18 million of higher sales volume, more than offsetting $21 million of lower selling prices and relatively unchanged raw material and energy costs.

2013 Compared to 2012

Sales revenue in 2013 decreased compared to 2012 primarily due to lower adhesives resins and plasticizers products selling prices and lower adhesives resins products sales volume. Lower adhesives resins selling prices were primarily in response to increased competitive pressure due to greater industry supply attributed to increased availability of key raw materials and additional competitor capacity. Lower plasticizers products selling prices were primarily in response to competitive pressures resulting from continued weakened demand in Asia Pacific and Europe. Lower adhesives resins products sales volume was primarily attributed to weakened demand in certain end markets including tapes, labels, and packaging, and customer inventory destocking occurring mainly in the first half of 2013. The decreased adhesives resins products sales volume was partially offset by continued substitution of phthalate plasticizers with non-phthalate plasticizers. Sales revenue in 2012 included $49 million of revenue from sales of certain products sold primarily into the tires market which are in 2013 reported in the AFP segment to combine the tires growth platforms of Solutia and Eastman.

Operating earnings in 2013 decreased compared to 2012 primarily due to $49 million of lower selling prices and higher raw material and energy costs and $24 million of lower adhesives resins products sales volume.

Growth Initiatives

In 2014 the Company completed an expansion of its Eastman 168™ non-phthalate plasticizers manufacturing capacity at its Texas City, Texas site.

In addition, the Company and Sinopec Yangzi Petrochemical Company Limited continue to evaluate the timing of a joint project to build a 50,000 metric ton hydrogenated hydrocarbons resin plant in Nanjing, China which will support expected demand growth for its products in hygiene and packaging applications in that region.

Advanced Materials Segment

	2014 Compared to 2013				2013 Compared to 2012			
			Change				Change	
(Dollars in millions)	2014	2013	$	%	2013	2012	$	%
Sales	$ 2,378	$ 2,349	$ 29	1 %	$ 2,349	$ 1,694	$ 655	39 %
Volume effect			56	2 %			665	39 %
Price effect			(23)	(1)%			(8)	— %
Exchange rate effect			(4)	— %			(2)	— %
Operating earnings	276	257	19	7 %	257	84	173	206 %
Additional costs of acquired inventories	1	—	1		—	41	(41)	
Asset impairments and restructuring charges, net	16	3	13		3	29	(26)	
Operating earnings excluding non-core or non-recurring items	293	260	33	13 %	260	154	106	69 %

	(1)	(1)		
Pro forma combined sales	$ 2,349	$ 2,254	$ 95	4 %
Volume effect			113	5 %
Price effect			(14)	(1)%
Exchange rate effect			(4)	— %
Pro forma combined operating earnings	257	135	122	90 %
Additional costs of acquired Solutia inventories	—	41	(41)	
Pro forma combined asset impairments and restructuring charges, net	3	34	(31)	
Pro forma combined operating earnings excluding non-core or non-recurring items	260	210	50	24 %

(1) "Pro forma combined" gives effect to the acquisition of Solutia as if it had been completed at January 1, 2012

2014 Compared to 2013

Sales revenue in 2014 increased slightly compared to 2013 primarily due to higher premium products sales volume, including Eastman Tritan™ copolyester and interlayers with acoustic properties, largely offset by lower core copolyester product selling prices primarily due to lower raw material and energy costs. The premium product sales growth was attributed to continued market adoption. Sales revenue in 2014 included revenue from the acquired Commonwealth business.

Included in 2014 operating earnings are asset impairments, including intangible assets, and restructuring charges of $12 million primarily for the closure of a production facility in Taiwan for the Flexvue® product line and $4 million of asset impairments related to a change in estimate of certain costs for the fourth quarter 2012 termination of the operating agreement for the São Jose dos Campos, Brazil site. Excluding non-core or non-recurring items, operating earnings increased in 2014 compared to 2013 primarily due to higher premium products sales volume and improved product mix with relatively more premium products.

2013 Compared to 2012

Sales revenue in 2013 increased compared to 2012 primarily due to $588 million in sales volume in first six months 2013 from the Solutia product lines acquired in third quarter 2012. Sales revenue also increased due to higher Eastman Tritan™ copolyester sales volume.

Pro forma combined sales revenue in 2013 increased compared to 2012 primarily due to higher Eastman Tritan™ copolyester and interlayers with acoustic properties sales volume.

Operating earnings in 2012 included asset impairments and restructuring charges of $29 million including $24 million for the termination of an operating agreement at the acquired Solutia manufacturing facility in São Jose Dos Campos, Brazil and related manufacturing facility closure costs. Operating earnings in 2012 also included $41 million of additional costs of acquired Solutia inventories. Excluding non-core or non-recurring items, operating earnings increased primarily due to operating earnings of $63 million in first six months 2013 from the acquired Solutia product lines. Operating earnings also increased primarily due to higher sales volume and increased sales of higher margin products, including Eastman Tritan™ copolyester and V-Kool® brand window films, and higher capacity utilization which led to lower unit costs, attributed to increased demand for specialty plastics products, especially for Eastman Tritan™ copolyester. In addition, operating earnings were higher as a result of lower raw material and energy costs more than offsetting lower selling prices by $22 million. This increase was partially offset by $7 million higher costs of growth initiatives for existing product lines and the related supporting functions.

Pro forma combined operating earnings in 2013 increased compared to 2012. Asset impairments and restructuring charges of $29 million in 2012 including $24 million for the termination of an operating agreement at the acquired Solutia manufacturing facility in São Jose Dos Campos, Brazil and related manufacturing facility closure costs and $5 million related to Solutia's Southwall acquisition. Operating earnings in 2012 also included $41 million of additional costs of acquired Solutia inventories. Excluding non-core or non-recurring items, operating earnings increased primarily due to $67 million for higher sales volume and increased sales of higher margin products, including Eastman Tritan™ copolyester and V-Kool® brand window films, and higher capacity utilization which led to lower unit costs, attributed to increased demand for specialty plastics products, especially for Eastman Tritan™ copolyester. In addition, operating earnings were higher as a result of lower raw material and energy costs more than offsetting lower selling prices by $13 million. This increase was partially offset by $7 million higher costs of growth initiatives for existing product lines and the related supporting functions.

Growth Initiatives

The acquisition of Commonwealth expands the AM segment's product portfolio and channel network in the diverse window film markets. In addition, the acquisition is expected to enable further manufacturing and distribution efficiencies and adds industry leading paint protection film technology to expand AM segment offerings in after-market automotive and protective film markets.

The Company completed an expansion of Eastman Tritan™ copolyester capacity at its Kingsport, Tennessee manufacturing facility in fourth quarter 2014, and began an additional expansion of Eastman Tritan™ copolyester capacity which is expected to be operational in early 2017 to meet expected demand for Eastman Tritan™ copolyester.

The Company also progressed on enhancements and innovations to improve its cost position in its polyvinyl butyral ("PVB") resin technology supporting growth in the AM segment's transportation and building and construction markets in the Asia Pacific region. The construction of a manufacturing facility at the Kuantan, Malaysia site incorporating these improvements is expected to be operational in mid-2017.

Fibers Segment

	2014 Compared to 2013				2013 Compared to 2012			
			Change				Change	
(Dollars in millions)	2014	2013	$	%	2013	2012	$	%
Sales	$ 1,457	$ 1,441	$ 16	1 %	$ 1,441	$ 1,315	$ 126	10%
Volume effect			(38)	(3)%			49	4%
Price effect			52	4 %			78	6%
Exchange rate effect			2	— %			(1)	—%
Operating earnings	474	462	12	3 %	462	385	77	20%
Asset impairments and restructuring charges, net	—	—	—		—	3	(3)	
Operating earnings excluding non-core or non-recurring items	474	462	12	3 %	462	388	74	19%

2014 Compared to 2013

Sales revenue in 2014 increased slightly compared to 2013 primarily due to higher acetate tow selling prices and higher acetate flake sales volume to Eastman's China acetate tow joint venture more than offsetting lower acetate tow sales volume. The lower acetate tow sales volume was attributed to additional industry capacity, including at Eastman's China acetate tow joint venture.

Operating earnings in 2014 were higher compared to 2013 as higher selling prices and lower raw material and energy costs of $64 million more than offset $48 million of lower sales volume, as lower acetate tow sales volume was partially offset by higher acetate flake sales volume, and related lower capacity utilization resulting in higher unit costs.

2013 Compared to 2012

Sales revenue in 2013 increased compared to 2012 due to higher selling prices and higher sales volume. Higher selling prices were in response to higher raw material and energy costs, particularly for wood pulp. Higher sales volume was primarily due to acetate flake sales to the new China acetate tow joint venture in 2013 and higher acetate yarn sales volume.

Operating earnings in 2013 increased compared to 2012 primarily due to higher selling prices more than offsetting higher raw material and energy costs.

Cost Initiatives

As a result of recent acetate tow market conditions, including additional industry capacity, the Company is evaluating actions to reduce Fibers segment costs. On February 3, 2015, Eastman announced it will begin a consultation period regarding a proposal to close its Workington, U.K., acetate tow 24,000 metric ton capacity manufacturing facility. The proposed consultation process is, and the closure would be, subject to local legal and regulatory requirements.

Specialty Fluids & Intermediates Segment

	2014 Compared to 2013				2013 Compared to 2012			
			Change				Change	
(Dollars in millions)	2014	2013	$	%	2013	2012	$	%
Sales	$ 2,490	$ 2,497	$ (7)	— %	$ 2,497	$ 2,318	$ 179	8 %
Volume effect			(37)	(1)%			197	9 %
Price effect			30	1 %			(16)	(1)%
Exchange rate effect			—	— %			(2)	— %
Operating earnings	289	363	(74)	(20)%	363	288	75	26 %
Additional costs of acquired inventories	16	—	16		—	17	(17)	
Asset impairments and restructuring charges, net	—	1	(1)		1	9	(8)	
Operating earnings excluding non-core or non-recurring items	305	364	(59)	(16)%	364	314	50	16 %

	2013 [1]	2012 [1]	$	%
Pro forma combined sales	$ 2,497	$ 2,473	$ 24	1 %
Volume effect			39	2 %
Price effect			(14)	(1)%
Exchange rate effect			(1)	— %
Pro forma combined operating earnings	363	333	30	9 %
Additional costs of acquired Solutia inventories	—	17	(17)	
Pro forma combined asset impairments and restructuring charges, net	1	9	(8)	
Pro forma combined operating earnings excluding non-core or non-recurring items	364	359	5	1 %

(1) "Pro forma combined" gives effect to the acquisition of Solutia as if it had been completed at January 1, 2012

2014 Compared to 2013

Sales revenue in 2014 was relatively unchanged compared to 2013 due to acquired aviation turbine oil business and Taminco functional amines products sales volume in 2014 and higher selling prices offset by overall lower 2014 sales volume. The lower sales volume was due to manufacturing capacity shutdowns, increased internal use of intermediates in the manufacture of higher-value downstream derivatives in other Eastman business segments, and weakness in the heat transfer fluids market.

Operating earnings in 2014 included $8 million of additional costs of the acquired aviation turbine oil business inventories and $8 million of additional costs of the acquired Taminco functional amines product lines inventories. Excluding non-core or non-recurring items, operating earnings decreased in 2014 primarily due to higher raw material and energy costs, particularly for propane in the first half of the year, exceeding higher selling prices, primarily for intermediates, by $33 million and $27 million of manufacturing capacity shutdowns costs, partially offset by $10 million of 2014 earnings from acquired businesses.

2013 Compared to 2012

Sales revenue in 2013 increased compared to 2012 primarily due to higher sales volume. Higher sales volume included $174 million in sales volume in first six months 2013 from the Solutia product lines acquired in third quarter 2012. Excluding these Solutia products, sales volume increased primarily due to increased olefin-based intermediates products sales particularly in the Asia Pacific region.

Pro forma combined sales revenue in 2013 was relatively unchanged compared to 2012. Sales revenue increased slightly as higher sales volume of olefin-based intermediates products sold primarily into Asia Pacific and higher specialty fluids products selling prices more than offset lower olefin-based intermediates products selling prices and lower specialty fluids products sales volume due to timing of customer project completions.

Operating earnings in 2013 increased compared to 2012. Operating earnings included $39 million of operating earnings from the acquired Solutia product lines in first six months 2013 and higher sales volume of $17 million. Operating earnings in 2013 also included lower selling prices more than offsetting lower raw material and energy costs, particularly for propane, by $11 million. Operating earnings in 2012 included $17 million of additional costs of acquired Solutia inventories.

Pro forma combined operating earnings in 2013 increased compared to 2012. Operating earnings in 2012 included $17 million of additional costs of acquired Solutia inventories. Excluding non-core or non-recurring items in both periods, pro forma combined operating earnings increased slightly in 2013 compared to 2012. The increase was primarily due to higher olefin-based intermediates products sales volume of $20 million. This increase was partially offset by lower selling prices more than offsetting lower raw material and energy costs, particularly for propane, by $9 million and lower specialty fluids volume of $8 million due to timing of customer project completions.

Growth Initiatives

In December 2014, the Company acquired the Taminco functional amines business. Management expects the addition of this business in the SFI segment will enhance Eastman's presence and provide additional opportunities for growth in attractive niche markets such as agriculture and personal care.

In second quarter 2014, the Company acquired the aviation turbine oil business. Added to Eastman's Skydrol® aviation hydraulic fluids products in the SFI segment, the acquired aviation turbine oil product lines enables Eastman to better supply the global aviation industry.

The Therminol® heat transfer fluid capacity expansion in Newport, Wales is expected to be operational in the second half of 2015 to support expected long-term demand in the industrial chemicals and processing market for SFI products.

In 2012, the Company entered into an agreement with Enterprise Products Partners L.P. to purchase propylene from a planned propane dehydrogenation plant expected to be operational in 2016, which is expected to further improve the Company's competitive cost position compared to purchasing olefins in the North American market. Prior to completion of the plant, the Company continues to benefit from a propylene market contract improving its cost position for purchased propylene. The Company continues to optimize the ethane content in its olefin cracking units feedstock mix based on relative market prices of olefins and olefins feedstocks.

The Company continues to evaluate long-term options for monetizing the Company's excess ethylene capacity while retaining its cost-advantaged integrated position to propylene which supports derivatives throughout the Company.

The Company is also actively pursuing licensing opportunities for acetyls, oxo derivatives, and mono ethylene glycol.

Other

(Dollars in millions)	2014	2013	2012
Sales	$ 18	$ 18	$ 11
Operating loss			
Growth initiatives and businesses not allocated to segments	$ (58)	$ (132)	$ (132)
Pension and other postretirement benefit income (expense) and gain (loss) not allocated to operating segments	(293)	394	(294)
Acquisition transaction, integration, and restructuring costs	(51)	(59)	(76)
Operating loss before non-core or non-recurring items	(402)	203	(502)
Mark-to-market pension and other postretirement benefit plans (gain) loss, net	304	(383)	276
Acquisition integration costs	24	36	16
Acquisition transaction costs	22	—	28
Asset impairments and restructuring charges, net	(1)	70	59
Operating loss excluding non-core or non-recurring items	$ (53)	$ (74)	$ (123)

Pro forma combined sales	$ 33
Pro forma combined operating loss	
Growth initiatives and businesses not allocated to segments	$ (135)
Pension and other postretirement benefit plans income (expense) and gain (loss) not allocated to operating segments	(294)
Transaction, integration, and restructuring costs related to the acquisition of Solutia	(101)
Pro forma combined operating loss before non-core or non-recurring items	(530)
Mark-to-market pension and other postretirement benefits net loss	276
Transaction and integration costs related to the acquisition of Solutia	69
Pro forma combined asset impairments and restructuring charges, net	59
Pro forma combined operating loss excluding non-core or non-recurring items	$ (126)

Sales revenue and costs related to growth initiatives, certain components of pension and other postretirement benefits, and other expenses and income not identifiable to an operating segment are not included in segment operating results for any of the periods presented and are shown as "other" sales revenue and "other" operating earnings (loss) when applicable. Revenues from the acquired Knowlton business, part of the Eastman™ microfibers technology platform, are included in 2014. Due to decisions made by management in 2013 not to continue its Perennial Wood™ growth initiative and to shut-down the Photovoltaics product line, there were no related sales revenues or costs in 2014. For more information, see Note 20,"Segment Information", to the Company's audited consolidated financial statements in Part II, Item 8 of this Annual Report.

Included in 2014 operating losses are transaction costs of $22 million for the acquisitions of Taminco, Commonwealth, the aviation turbine oil business, and Knowlton. Also included in 2014 operating losses are integration costs of $24 million for the acquired Solutia, aviation turbine oil, Commonwealth, Knowlton, and Taminco businesses. Included in 2014 operating losses are $4 million for severance related to the integration of Solutia. Included in 2014 is a $5 million gain for sales of previously impaired assets at the former Photovoltaics production facility in Germany.

Included in 2013 "other" operating loss are acquisition integration costs of $36 million and restructuring charges primarily for severance of $23 million related to the acquisition and integration of Solutia. Included in 2012 "other" operating loss were transaction costs of $28 million, integration costs of $16 million, and restructuring charges primarily for severance of $32 million related to the acquisition and integration of Solutia.

During 2013, there were $44 million of asset impairments and restructuring charges primarily for management's decision not to continue the Perennial Wood™ growth initiative, the shut-down of the Photovoltaics product line primarily in Germany, and $23 million of restructuring charges primarily for severance for the continued integration of Solutia.

Operating results in 2012 included $59 million for asset impairments and restructuring charges, including the severance related to Solutia acquisition and integration. During fourth quarter 2012, management decided to cease production of certain products in its Perennial Wood™ growth initiative. As a result, a restructuring charge of $17 million was recognized in fourth quarter for inventory costs in excess of recoverable value on these certain product lines and to accrue for losses on take-or-pay contracts with third parties. The Company recognized asset impairments related to land retained from the previously discontinued industrial gasification project, reducing the carrying value of the Beaumont land by $6 million. During 2012, the Company also ceased research and development activities for renewable chemicals at a site it acquired in 2011, resulting in asset impairments and restructuring charges of $4 million.

Pension expense (income) not allocated to operating segments was $293 million, ($394 million), and $294 million in 2014, 2013, and 2012 respectively, and included $304 million of an MTM loss in 2014, $383 million of an MTM gain in 2013, and $276 million of an MTM loss in 2012.

The Company continues to explore and invest in growth initiatives at a corporate level that are aligned with macro trends in sustainability, consumerism, and energy efficiency through high performance materials, advanced cellulosics, and reduced environmental impact chemistry. One of these initiatives is Eastman™ microfiber technology platform.

SUMMARY BY CUSTOMER LOCATION

2014 Compared With 2013

	Sales Revenue		
(Dollars in millions)	**2014**	**2013**	**Change**
United States and Canada	$ 4,384	$ 4,290	2 %
Asia Pacific	2,540	2,584	(2)%
Europe, Middle East, and Africa	2,091	1,975	6 %
Latin America	512	501	2 %
	$ 9,527	$ 9,350	2 %

Sales revenue in United States and Canada increased in 2014 compared to 2013 primarily due to higher sales in the AFP and SFI segments, partially due to revenue from the Taminco product lines acquired in December 2014.

Sales revenue in Asia Pacific decreased in 2014 compared to 2013 primarily due to lower SFI segment sales revenue, particularly for olefin-based intermediates product lines, and lower Fibers segment sales revenue, primarily for acetate tow, partially offset by higher AM segment sales revenue, primarily in specialty plastics products.

Sales revenue in Europe, Middle East, and Africa increased in 2014 compared to 2013 primarily due to higher AFP segment sales revenue, partially due to the revenue from the Taminco specialty amines and crop protection product lines acquired in December 2014, and higher Fibers segment sales revenue, primarily for acetate tow.

Sales revenue in Latin America increased in 2014 compared to 2013 primarily due to higher Fibers and AM segments sales revenue, partially offset by lower A&P segment sales revenue.

With a substantial portion of sales to customers outside the United States, Eastman is subject to the risks associated with operating in international markets. To mitigate its exchange rate risks, the Company frequently seeks to negotiate payment terms in U.S. dollars or euros. In addition, where it deems such actions advisable, the Company engages in foreign currency hedging transactions and requires letters of credit and prepayment for shipments where its assessment of individual customer and country risks indicates their use is appropriate. For additional information concerning these practices, see Note 10, "Derivatives", to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report and Part II, Item 7A--"Quantitative and Qualitative Disclosures About Market Risk" of this Annual Report.

SUMMARY BY CUSTOMER LOCATION

2013 Compared With 2012

	Sales Revenue			Pro Forma Combined Sales Revenue		
(Dollars in millions)	2013	2012	Change	2013	2012	Change
United States and Canada	$ 4,290	$ 3,995	7%	$ 4,290	$ 4,264	1%
Asia Pacific	2,584	2,088	24%	2,584	2,396	8%
Europe, Middle East, and Africa	1,975	1,605	23%	1,975	1,968	—%
Latin America	501	414	21%	501	492	2%
	$ 9,350	$ 8,102	15%	$ 9,350	$ 9,120	3%

Sales revenue in United States and Canada increased in 2013 compared to 2012 primarily due to $307 million of sales volume in first six months 2013 from the acquired Solutia businesses and increased AFP and Fibers segments sales revenue partially offset by decreased A&P segment sales revenue. Pro forma combined sales revenue in the region increased primarily due to increased pro forma combined SFI and AFP segments sales revenue and higher Fibers segment sales revenue more than offsetting decreased A&P segment sales revenue.

Sales revenue in Asia Pacific increased in 2013 compared to 2012 primarily due to $314 million of sales volume in first six months 2013 from the acquired Solutia businesses and higher sales revenue in all segments except the A&P segment. Pro forma combined sales revenue in the region increased primarily due to increased Fibers segment sales revenue and increased AM and SFI segments pro forma combined sales revenue.

Sales revenue in Europe, Middle East, and Africa increased in 2013 compared to 2012 primarily due to $350 million of sales volume in first six months 2013 from the acquired Solutia businesses. Pro forma combined sales revenue in the region remained unchanged primarily due to increased pro forma combined AFP and AM segments sales revenue offset by decreased pro forma combined SFI segment sales revenue and "Other" sales revenue and lower A&P and Fibers segments sales volume.

Sales revenue in Latin America increased in 2013 compared to 2012 primarily due to $78 million of sales volume in first six months 2013 from the acquired Solutia businesses. Pro forma combined sales revenue in the region increased slightly due to increased pro forma combined AM segment sales revenue partially offset by decreased pro forma combined A&P and AFP segments sales revenue.

LIQUIDITY, CAPITAL RESOURCES, AND OTHER FINANCIAL INFORMATION

Cash Flows

(Dollars in millions)	2014	2013	2012
Net cash provided by (used in):			
Operating activities	$ 1,408	$ 1,297	$ 1,128
Investing activities	(4,091)	(457)	(2,962)
Financing activities	2,664	(859)	1,504
Effect of exchange rate changes on cash and cash equivalents	(4)	7	2
Net change in cash and cash equivalents	$ (23)	$ (12)	$ (328)
Cash and cash equivalents at beginning of period	237	249	577
Cash and cash equivalents at end of period	$ 214	$ 237	$ 249

2014 Compared to 2013

Cash provided by operating activities increased $111 million in 2014 compared with 2013. The increase in cash from operating activities was primarily due to higher cash earnings and lower income tax payments partially offset by higher variable compensation payouts and increased working capital requirements. The increase in working capital requirements was primarily due to a decrease in trade payables in 2014 mostly due to declining raw material and energy costs.

Cash used in investing activities increased $3.63 billion in 2014 compared with 2013. The increase was primarily due to cash used for the acquisitions of the aviation turbine oil business, Knowlton, Taminco, and Commonwealth in 2014. Cash used for additions to properties and equipment was $593 million in 2014 and $483 million in 2013.

Cash provided by financing activities was $2.66 billion in 2014 and cash used in financing activities was $859 million in 2013. During 2014, the Company had net proceeds of $3,440 million from the issuance of new debt and repaid $190 million of commercial paper borrowings. During 2013, the Company had net proceeds of $425 million from commercial paper borrowings and repaid $950 million of borrowings. Share repurchases totaled $410 million in 2014 compared with $238 million in 2013. Dividend payments were $210 million in 2014 and $140 million in 2013. The fourth quarter 2012 dividend of $45 million was paid in December 2012 rather than January 2013.

The priorities for uses of available cash in 2015 are expected to be payment of the quarterly stock dividend, repayment of debt, funding targeted growth initiatives, pension funding, and stock repurchases primarily to offset dilution.

2013 Compared to 2012

Cash provided by operating activities increased $169 million in 2013 compared with 2012. The increase was primarily due to higher 2013 cash earnings and approximately $100 million of payments for bankers fees, legal fees, and restructuring costs in 2012 related to the acquisition of Solutia, partially offset by increased working capital requirements, higher income tax payments, and higher interest payments. The increase in working capital requirements was primarily due to increased trade receivables which increased $38 million in 2013 due to an increase in sales revenue during 2013 as compared with a $48 million decrease in 2012. Debt interest payments were $75 million higher in 2013 than 2012 due to a full year of interest payments on borrowings incurred for the acquisition of Solutia.

Cash used in investing activities decreased $2.5 billion in 2013 compared with 2012. The decrease was primarily due to the $2.6 billion cash portion of the purchase price for the acquisition of Solutia in 2012. Cash used for additions to properties and equipment was $483 million in 2013 and $465 million in 2012.

Cash used in financing activities was $859 million in 2013 and cash provided by financing activities was $1.5 billion in 2012. During 2013, the Company received $425 million in proceeds from commercial paper borrowings, repaid $950 million of borrowings, and used cash for stock repurchases of $238 million. Proceeds from the issuance of debt for the Solutia acquisition were included in 2012. Proceeds from the issuance of Solutia acquisition debt are presented net of original issue discounts, issuance costs, and the monetization of interest rate swaps. The payment of dividends, which was $140 million in 2013 and $192 million in 2012, is also reflected in financing activities in all periods. The fourth quarter 2012 dividend of $45 million was paid in December 2012 rather than January 2013.

Liquidity and Capital Resources

The Company had cash and cash equivalents as follows:

(Dollars in millions)	December 31,		
	2014	2013	2012
Cash and cash equivalents	$ 214	$ 237	$ 249

In addition, at December 31, 2014, the Company had access to the sources of liquidity described below.

In October 2014, the Company entered into a $1.25 billion revolving credit agreement (the "Credit Facility") expiring October 2019. The Credit Facility amends and extends, and has terms substantially similar to, the $1.0 billion revolving credit agreement entered into in October 2013. Borrowings under the Credit Facility are subject to interest at varying spreads above quoted market rates and a commitment fee is paid on the total unused commitment. At December 31, 2014 and December 31, 2013, the Company had no outstanding borrowings under the Credit Facility.

The Credit Facility provides liquidity support for commercial paper borrowings and general corporate purposes. Accordingly, any outstanding commercial paper borrowings reduce capacity for borrowings available under the Credit Facility. Given the expiration date of the Credit Facility, any commercial paper borrowings supported by the Credit Facility are classified as long-term borrowings because the Company has the ability and intent to refinance such borrowings on a long-term basis. At December 31, 2014 the Company's commercial paper borrowings were $235 million with a weighted average interest rate of 0.47 percent. At December 31, 2013 the Company's commercial paper borrowings were $425 million with a weighted average interest rate of 0.35 percent.

In August 2014, the Company amended a $250 million line of credit under its accounts receivable securitization agreement (the "A/R Facility"), extending the maturity to April 2017. The amended A/R Facility has terms substantially similar to the $250 million accounts receivable securitization agreement previously expiring in April 2016. Borrowings under the A/R Facility are subject to interest rates based on a spread over the lender's borrowing costs, and the Company pays a fee to maintain availability of the A/R Facility. At December 31, 2014 and December 31, 2013 the Company had no outstanding borrowings under the A/R Facility. During first quarter 2014, $125 million of the available amount under the A/R Facility was borrowed and then repaid during second quarter 2014.

The Credit Facility and A/R Facility contain a number of customary covenants and events of default, including the maintenance of certain financial ratios. The Company was in compliance with all such covenants for all periods presented. Total available borrowings under the Credit Facility and A/R Facility were $1,265 million and $825 million as of December 31, 2014 and December 31, 2013, respectively. The Company would not violate applicable covenants for these periods if the total available amounts of the facilities had been borrowed.

Cash flows from operations, cash and cash equivalents, and the other sources of liquidity described above are expected to be available and sufficient to meet foreseeable cash requirements. However, the Company's cash flows from operations can be affected by numerous factors including risks associated with global operations, raw material availability and cost, demand for and pricing of Eastman's products, capacity utilization, and other factors described under "Risk Factors" below. Eastman management believes maintaining a financial profile consistent with an investment grade credit rating is important to its long-term strategic and financial flexibility.

Capital Expenditures

Capital expenditures were $593 million, $483 million, and $465 million for 2014, 2013, and 2012, respectively. Capital expenditures in 2014 were primarily for organic growth initiatives particularly in the SFI and AM segments, improvements to plants, and purchases of equipment. The Company expects that 2015 capital spending will between $700 million and $725 million, including capital investment that will modernize and expand the Kingsport, Tennessee site, investment in the Kuantan, Malaysia site in the AFP and AM segments, additional expansion of Eastman Tritan™ copolyester capacity in Kingsport, Tennessee, and a Therminol® heat transfer fluid capacity expansion in Newport, Wales. Capital expenditures in 2015 are expected to include approximately $80 million for the recently acquired Taminco facilities.

Debt and Other Commitments

<u>Debt Securities and Term Loan</u>

At December 31, 2014, the Company's borrowings totaled approximately $7.5 billion to be paid over a period of approximately 30 years. See Note 9, "Borrowings", to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report.

On November 20, 2014, the Company issued public debt securities consisting of 2.7% notes due 2020 in the principal amount of $800 million, 3.8% notes due 2025 in the principal amount of $800 million, and 4.65% notes due 2044 in the principal amount of $400 million. Proceeds from these borrowings were used to pay a part of the purchase price for the acquisition of Taminco, including the repayment of outstanding Taminco borrowings and a portion of acquisition fees and expenses. Proceeds from the sale of the notes, net of original issue discounts, issuance costs, and the monetization of interest rate swaps, was $1.96 billion.

On October 9, 2014, Eastman entered into a $1.0 billion five-year Term Loan Agreement (the "Term Loan Agreement"). The Company borrowed the entire amount under the Term Loan Agreement on December 5, 2014. Borrowings under the Term Loan Agreement were used to pay a part of the purchase price for the acquisition of Taminco, which included the repayment of outstanding borrowings of Taminco, and a portion of acquisition fees and expenses. As of December 31, 2014, the Term Loan Agreement balance outstanding was $1.0 billion with an interest rate of 1.41 percent. Borrowings under the Term Loan Agreement are subject to interest at varying spreads above quoted market rates.

In addition, on October 9, 2014, Eastman entered into a $1.75 billion Senior Bridge Loan Credit Agreement (the "Bridge Loan Agreement"). The Bridge Loan Agreement remained undrawn and was terminated following receipt of proceeds from the public sale of debt securities on November 20, 2014.

On May 15, 2014, the Company issued public debt securities consisting of 4.65% notes due 2044 in the principal amount of $500 million. Proceeds from the sale of the notes, net of transaction costs, were $490 million.

On June 5, 2012, the Company issued public debt securities consisting of 2.4% notes due 2017 in the principal amount of $1.0 billion, 3.6% notes due 2022 in the principal amount of $900 million, and 4.8% notes due 2042 in the principal amount of $500 million. Proceeds from the sale of the notes, net of original issue discounts, issuance costs, and the monetization of interest rate swaps, were $2.3 billion. Proceeds from these borrowings were used to pay, in part, the cash portion of the purchase price to complete the Solutia acquisition, repay Solutia debt, and pay acquisition costs.

Other Commitments

The Company had various purchase obligations at December 31, 2014, totaling $2.0 billion over a period of approximately 30 years for materials, supplies and energy incident to the ordinary conduct of business. The Company also had various lease commitments for property and equipment under cancelable, noncancelable, and month-to-month operating leases totaling approximately $309 million over a period of approximately 45 years. Of the total lease commitments, approximately 50 percent relate to real property, including office space, storage facilities, and land; approximately 40 percent relate to railcars; and approximately 10 percent relate to machinery and equipment, including computer and communications equipment and production equipment.

In addition, the Company had other liabilities at December 31, 2014, totaling approximately $2.5 billion related primarily to pension, retiree medical, other postretirement benefit obligations, and environmental reserves.

In 2014, the Company made $120 million in contributions to its U.S. defined benefit pension plans, of which approximately $40 million was the minimum required cash contribution under the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. In 2013 and 2012, the Company made $120 million and $124 million, respectively, in contributions to its U.S. defined benefit pension plans. Excess contributions are periodically made by management in order to keep the plans' funded status above 80 percent under the funding provisions of the Pension Protection Act to avoid partial benefit restrictions on accelerated forms of payment. The Company's U.S. defined benefit pension plans are not currently under any benefit restrictions.

The obligations described above, and long-term debt repayment obligations, are summarized in the following table:

(Dollars in millions)

	Payments Due for						
Period	Debt Securities	Credit Facilities and Other	Interest Payable	Purchase Obligations	Operating Leases	Other Liabilities [1]	Total
2015	$ 250	$ 51	$ 257	$ 256	$ 71	$ 380	$ 1,265
2016	—	214	270	261	57	176	978
2017	998	251	271	238	43	144	1,945
2018	169	264	237	228	32	125	1,055
2019	250	461	220	217	21	92	1,261
2020 and beyond	4,641	—	2,117	835	85	1,576	9,254
Total	$ 6,308	$ 1,241	$ 3,372	$ 2,035	$ 309	$ 2,493	$ 15,758

(1) Amounts represent the current estimated cash payments required to be made by the Company primarily for pension and other postretirement benefits, environmental obligations, commodity and foreign exchange hedging, uncertain tax liabilities, and accrued compensation benefits in the periods indicated. The amount and timing of such pension and other postretirement benefit payments is dependent upon interest rates, health care cost trends, actual returns on plan assets, retirement and attrition rates of employees, continuation or modification of the benefit plans, and other factors. Such factors can significantly impact the amount and timing of any future contributions by the Company. See Note 13, "Environmental Matters and Asset Retirement Obligations" to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report for expected cash payments related to environmental obligations. See Note 10, "Derivatives" to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report for additional information. Due to uncertainties in the timing of the effective settlement of tax positions with respect to taxing authorities, management is unable to determine the timing of payments related to uncertain tax liabilities, these amounts are included in the "2020 and beyond" line item.

Allowance For Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. An analysis of trends including the aging of accounts receivable and days sales outstanding is performed on a regular basis in order to ensure appropriate adjustments are made to the allowance for doubtful accounts in a timely manner. No significant variances were identified in the trend analysis performed for fourth quarter 2014 compared to third quarter 2014. The Company believes, based on historical results and its regular analysis, the likelihood of write-offs having a material impact on financial results is remote.

Off Balance Sheet and Other Financing Arrangements

The Company has operating leases with terms that require the Company to guarantee a portion of the residual value of the leased assets upon termination of the lease. These residual value guarantees at December 31, 2014 totaled $121 million and consisted primarily of leases for railcars and Company aircraft and will expire beginning in 2016. Management believes, based on current facts and circumstances, that the likelihood of material residual guarantee payments is remote.

Guarantees and claims also arise during the ordinary course of business from relationships with joint venture partners, suppliers, customers, and other parties when the Company undertakes an obligation to guarantee the performance of others, if specified triggering events occur. Non-performance under a contract could trigger an obligation of the Company. The Company's current other guarantees include guarantees relating primarily to intellectual property, environmental matters, and other indemnifications and have arisen through the normal course of business. The ultimate effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to the final outcome of these claims, if they were to occur. These other guarantees have terms between 1 and 30 years with maximum potential future payments of approximately $29 million in the aggregate, with none of these guarantees individually significant to the Company's operating results, financial position, or liquidity. The Company's current expectation is that future payment or performance related to non-performance under other guarantees is considered remote.

The Company assumed the rights and obligations under non-recourse factoring facilities as part of the acquisition of Taminco. The non-recourse factoring facilities have a combined limit of $192 million (the U.S. Dollar equivalent of the €158 million commitment amount as of December 31, 2014) and are committed until December 2017. These arrangements include receivables in the United States, Belgium, Germany, and Finland, and are subject to various eligibility requirements. The Company sells the receivables at face value but receives funding (approximately 85 percent) net of a deposit amount until collections are received from customers for the receivables sold. The total amount of eligible receivables sold and derecognized since the acquisition of Taminco on December 5, 2014 through December 31, 2014 was $61 million. The amounts outstanding under the non-recourse factoring facilities were $105 million at December 31, 2014. As part of the program, the Company continues to service the receivables at market rates with no servicing assets or liabilities recognized. The fair value of the receivables sold equals the carrying value at the time of the sale, and no gain or loss is recognized. The Company is exposed to a credit loss up to 5 percent on sold receivables.

The Company did not have any material relationships with unconsolidated entities or financial partnerships, including special purpose entities, for the purpose of facilitating off-balance sheet arrangements with contractually narrow or limited purposes. Thus, Eastman is not materially exposed to any financing, liquidity, market, or credit risk related to any such relationships.

Treasury Stock

In February 2011, the Company's Board of Directors authorized the repurchase of up to $300 million of the Company's outstanding common stock. The Company completed the $300 million of repurchases in August 2013, acquiring a total of 6,141,999 shares.

In May 2013, the Company's Board of Directors authorized an additional repurchase of up to $300 million of the Company's outstanding common stock. The Company completed the $300 million of repurchases in March 2014, acquiring a total of 3,840,949 shares.

In February 2014, the Company's Board of Directors authorized repurchase of up to an additional $1 billion of the Company's outstanding common stock at such times, in such amounts, and on such terms, as determined to be in the best interests of the Company. As of December 31, 2014, a total of 2,933,029 shares have been repurchased under this authorization for a total amount of $250 million.

During 2014, the Company repurchased 4,945,452 shares of common stock for a cost of approximately $410 million. During 2013, the Company repurchased 3,212,886 shares of common stock for a cost of approximately $238 million.

Dividends

The Company's Board of Directors declared quarterly cash dividends of $0.35 per share in first, second, and third quarters and $0.40 per share in fourth quarter 2014 for a total of $1.45 per share in 2014. The Company's Board of Directors declared quarterly cash dividends of $0.30 per share in first, second, and third quarters and $0.35 per share in fourth quarter 2013 for a total of $1.25 per share in 2013. The Board of Directors declared quarterly cash dividends of $0.26 per share in first, second, and third quarters and $0.30 per share in fourth quarter 2012 for a total of $1.08 per share in 2012. The Board of Directors has declared a cash dividend of $0.40 per share during the first quarter of 2015, payable on April 1, 2015 to stockholders of record on March 16, 2015.

ENVIRONMENTAL AND ASSET RETIREMENT OBLIGATIONS

Certain Eastman manufacturing sites generate hazardous and nonhazardous wastes, the treatment, storage, transportation, and disposal of which are regulated by various governmental agencies. In connection with the cleanup of various hazardous waste sites, the Company, along with many other entities, has been designated a potentially responsible party ("PRP"), by the U.S. Environmental Protection Agency under the Comprehensive Environmental Response, Compensation and Liability Act, which potentially subjects PRPs to joint and several liability for such cleanup costs. In addition, the Company will be required to incur costs for environmental remediation and closure and postclosure under the federal Resource Conservation and Recovery Act. Reserves for environmental contingencies have been established in accordance with Eastman's policies described in Note 1, "Significant Accounting Policies", to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report. Although the resolution of uncertainties related to these environmental matters may have a material adverse effect on the Company's consolidated results of operations in the period recognized, because of expected sharing of costs, the availability of legal defenses, and the Company's preliminary assessment of actions that may be required, management does not believe that the Company's liability for these environmental matters, individually or in the aggregate, will be material to the Company's consolidated financial position or cash flows. The Company's total reserve for environmental contingencies was $345 million and $368 million at December 31, 2014 and December 31, 2013, respectively. At December 31, 2014 and December 31, 2013, this reserve included $10 million and $9 million, respectively, related to sites previously closed and impaired by Eastman and sites that have been divested by Eastman but for which the Company retains the environmental liability related to these sites.

The Company accrues environmental remediation costs when it is probable that the Company has incurred a liability at a contaminated site and the amount can be reasonably estimated. When a single amount cannot be reasonably estimated but the cost can be estimated within a range, the Company accrues the minimum amount. This undiscounted accrued amount reflects liabilities expected to be paid out within 30 years and the Company's assumptions about remediation requirements at the contaminated site, the nature of the remedy, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties. Changes in the estimates on which the accruals are based, unanticipated government enforcement action, or changes in health, safety, environmental, and chemical control regulations and testing requirements could result in higher or lower costs. Estimated future environmental expenditures for remediation costs ranged from the minimum or best estimate of $324 million to the maximum of $548 million at December 31, 2014. The maximum estimated future costs are considered to be only reasonably possible and include the amounts accrued at December 31, 2014.

Reserves for environmental remediation that management believes to be probable and estimable are reflected appropriately as current and long-term liabilities in the Consolidated Statements of Financial Position. The amounts charged to pre-tax earnings for environmental remediation and related charges are included in cost of goods sold and other (income) charges, net, and are summarized below:

(Dollars in millions)	Environmental Remediation Liabilities
Balance at December 31, 2013	$ 341
Assumed remediation reserve from acquisitions	2
Changes in estimates recorded to earnings and other	8
Cash reductions	(27)
Balance at December 31, 2014	$ 324

Costs of certain remediation projects included in the environmental reserve are subject to a cost-sharing arrangement with Monsanto Company ("Monsanto") under the provisions of the Amended and Restated Settlement Agreement effective February 28, 2008 (the "Effective Date"), into which Solutia entered with Monsanto upon its emergence from bankruptcy (the "Monsanto Settlement Agreement"). Under the provisions of the Monsanto Settlement Agreement, the Company shares responsibility with Monsanto for remediation at certain locations outside of the boundaries of plant sites in Anniston, Alabama and Sauget, Illinois (the "Shared Sites"). The Company is responsible for the funding of environmental liabilities at the Shared Sites up to a total of $325 million from the Effective Date. If remediation costs for the Shared Sites exceed this amount, such costs will thereafter be shared equally between the Company and Monsanto. Including payments by Solutia prior to its acquisition by Eastman, $64 million had been paid for costs at the Shared Sites as of December 31, 2014. As of December 31, 2014, an additional $212 million has been accrued for estimated future remediation costs at the Shared Sites, over a period of thirty years.

An asset retirement obligation is an obligation for the retirement of a tangible long-lived asset that is incurred upon the acquisition, construction, development, or normal operation of that long-lived asset. The Company recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be made. The asset retirement obligation is subsequently adjusted for changes in fair value. The associated estimated asset retirement costs are capitalized as part of the carrying value of the long-lived assets and depreciated over their useful life. In addition to remediation activities, the Company establishes reserves for closure and postclosure costs associated with the environmental assets it maintains. Environmental assets include but are not limited to waste management units, such as landfills, water treatment facilities, and surface impoundments. When these types of assets are constructed or installed, a reserve is established for the anticipated future costs associated with the closure of the asset based on its expected life and the applicable regulatory closure requirements. These future costs are charged into earnings over the estimated useful life of the assets. The best estimate accrued to date over the facilities' estimated useful lives for environmental asset retirement obligation costs was $21 million and $27 million at December 31, 2014 and December 31, 2013, respectively.

The Company's total environmental reserve for environmental contingencies, including remediation costs and asset retirement obligations, is reflected in the Consolidated Statements of Financial Position as follows:

	December 31,	
(Dollars in millions)	2014	2013
Environmental contingent liabilities, current	$ 35	$ 40
Environmental contingent liabilities, long-term	310	328
Total	$ 345	$ 368

GAAP requires an entity to recognize a liability for a conditional asset retirement obligation ("CARO") when incurred if the liability can be reasonably estimated. The Company has performed an examination of various asset categories as of December 31, 2014. Although it may have CAROs at certain of its facilities, including, but not limited to, the potential for asbestos abatement activities, the Company is unable to determine potential settlement dates to be used in fair value calculations for estimating these obligations as a result of an absence of plans or expectations to undertake a major renovation or demolition project that would require the removal of asbestos. The Company continues to monitor these conditional obligations, as well as any new ones that may develop, and will recognize contingent liabilities associated with them when and to the extent that more detailed information becomes available concerning applicable retirement costs. The accrued obligations do not have a material impact on the Company's consolidated financial position, results of operations and cash flows.

Reserves related to environmental asset retirement obligations accounted for less than 10 percent of the total environmental reserve at December 31, 2014. Currently, the Company's environmental assets are expected to reach the end of their useful lives at different times over the next 50 years. If the Company was to invest in numerous new environmental assets, or these assets were to require closure a significant number of years before the Company anticipated they would, the amortization on them would increase, and could have a material negative impact on the Company's financial condition and results of operations. The Company views the likelihood of this occurrence to be remote, and does not anticipate, based on its past experience with this type of planned remediation, that an additional accrual related to environmental assets will be necessary.

The Company's cash expenditures related to environmental protection and improvement were $319 million, $285 million, and $262 million in 2014, 2013, and 2012, respectively. These amounts were primarily for operating costs associated with environmental protection equipment and facilities, but also included $76 million and $53 million in expenditures for engineering and construction in 2014 and 2013, respectively. Management anticipates that capital expenditures associated with the Company's approach to addressing boiler air emissions regulations will modestly increase average annual environmental capital expenditures over the next four to five years compared to recent historical levels. However, the Company has decided to convert 50 percent of its steam and electric generation capacity at the Kingsport, Tennessee facility to natural gas over that period, which management believes is a more cost-efficient approach to compliance with air emissions regulations. Management does not believe that these expenditures will have a material adverse effect on the Company's consolidated financial position or cash flows. Other than these planned capital expenditures at the Company's Kingsport, Tennessee facility, the Company does not currently expect future environmental capital expenditures arising from requirements of recently promulgated environmental laws and regulations to materially increase the Company's planned level of annual capital expenditures for environmental control facilities.

The Company also has contractual obligations that include asset retirement obligations not associated with environmental liabilities. Eastman's non-environmental asset retirement obligations are primarily associated with the future closure of leased manufacturing assets at Pace, Florida and Oulu, Finland acquired from Taminco. These accrued non-environmental asset retirement obligations were $44 million as of December 31, 2014.

INFLATION

In recent years, general economic inflation has not had a material adverse impact on Eastman's costs. The cost of raw materials is generally based on market prices, although derivative financial instruments are utilized, as appropriate, to mitigate short-term market price fluctuations. Management expects the volatility of raw material and energy costs to continue and the Company will continue to pursue pricing and hedging strategies and ongoing cost control initiatives to offset the effects. For additional information see Note 10, "Derivatives", to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report.

RECENTLY ISSUED ACCOUNTING STANDARDS

For information regarding the impact of recently issued accounting standards, see Note 23, "Recently Issued Accounting Standards", to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report.

OUTLOOK

Eastman is focused on consistent earnings growth through a market-driven approach that takes advantage of the Company's existing technology platforms, global market and manufacturing presence, leading positions in end markets, vertically integrated manufacturing streams, and advantaged cost positions. This focus is supported by the Company's geographic and end-market diversity as it serves global markets, including emerging economies with above average growth rates, and offers both original equipment manufacturing and after-market products in a variety of end markets, such as transportation and building and construction.

Management expects global growth in 2015 to be approximately three percent, with the U.S. approximately three percent, Europe approximately one percent, and China near seven percent.

Management expects that market prices for commodity products and raw material and energy costs will continue to be volatile, and Management will continue to evaluate and when appropriate use pricing and hedging strategies to mitigate this volatility. Management expects that recent significant declines in crude oil and certain related commodity prices will not be fully reflected in Company raw material and energy costs primarily because the positive impact will be largely offset in 2015 by our current commodity hedges, particularly for propane.

Management expects the significant strengthening of the U.S. Dollar to have an overall negative impact on the Company's results, partially offset by hedging of those foreign currencies, particularly the euro.

For 2015, Management also expects:

- operating results to benefit from recent acquisitions, organic growth, and improved product mix;
- cash generated by operating activities of approximately $1.6 billion;
- capital spending to be between $700 million and $725 million;
- priorities for uses of available cash to be payment of the quarterly stock dividend, repayment of debt, funding targeted growth initiatives, pension funding, and stock repurchases primarily to offset dilution; and
- its full year tax rate on reported earnings from continuing operations before income tax to be between 26 percent and 27 percent, excluding non-core or non-recurring items.

Based on the foregoing expectations, and given its solid portfolio of specialty businesses, Management expects 2015 earnings per share to be similar to 2014 earnings per share of $7.07 excluding non-core or non-recurring items.

See "Risk Factors" below.

RISK FACTORS

In addition to the factors described elsewhere in this Annual Report, the following are the most significant known factors, risks, and uncertainties that could cause actual results to differ materially from those in the forward-looking statements made in this Annual Report and elsewhere from time to time. See "Forward Looking Statements".

Continued uncertain conditions in the global economy and the financial markets could negatively impact the Company.

Continued uncertain conditions in the global economy and global capital markets may adversely affect the Company's results of operations, financial condition, and cash flows. The Company's business and operating results were affected by the impact of the most recent global recession, including the credit market crisis, declining consumer and business confidence, fluctuating commodity prices, volatile exchange rates, and other challenges that affected the global economy. If the global economy or financial markets again deteriorate or experience significant new disruptions, or if current uncertainty over the timing or extent of a full long-term recovery persists, the Company's results of operations, financial condition, and cash flows could be materially adversely affected; in addition the Company's ability to access the credit and capital markets under attractive rates and terms could be constrained, which may negatively impact the Company's liquidity or ability to pursue certain growth initiatives.

Volatility in costs for strategic raw material and energy commodities or disruption in the supply of these commodities could adversely affect our financial results.

The Company is reliant on certain strategic raw material and energy commodities for its operations and utilizes risk management tools, including hedging, as appropriate, to mitigate market fluctuations in raw material and energy costs. These risk mitigation measures cannot eliminate all exposure to market fluctuations and have from time-to-time reduced the positive impact of unexpected decreases of the market price of purchased raw materials. In addition, natural disasters, plant interruptions, changes in laws or regulations, war or other outbreak of hostilities or terrorism, and breakdown or degradation of transportation infrastructure used for delivery of strategic raw material and energy commodities, could adversely impact both the cost and availability of these commodities.

The Company's business is subject to operating risks common to chemical manufacturing businesses, including cyber risks, any of which could disrupt manufacturing operations or related infrastructure and adversely affect results of operations.

As a global specialty chemicals manufacturing company, our business is subject to operating risks common to chemical manufacturing, storage, handling, and transportation. Significant limitation on the Company's ability to manufacture products due to disruption of manufacturing operations or related infrastructure could have a material adverse effect on the Company's sales revenue, costs, results of operations, and financial condition. Disruptions could occur due to internal factors such as computer or equipment malfunction (accidental or intentional), operator error, or process failures; or external factors such as computer or equipment malfunction at third-party service providers, natural disasters, pandemic illness, changes in laws or regulations, war or other outbreak of hostilities or terrorism, cyber attacks, or breakdown or degradation of transportation infrastructure used for delivery of supplies to the Company or for delivery of products to customers. The Company has in the past experienced cyber attacks and breaches of its computer information systems, and although none of these has had a material adverse effect on the Company's operations, no assurances can be provided that any future disruptions due to these, or other, circumstances will not have a material effect on operations. Such disruptions could result in an unplanned event that could be significant in scale and could negatively impact operations, neighbors, and the environment, and could have a negative impact on the Company's results of operations.

Loss or financial weakness of any of the Company's largest customers could adversely affect our financial results.

Although the Company has an extensive customer base, loss of, or material financial weakness of, certain of our largest customers could adversely affect the Company's financial condition and results of operations until such business is replaced. No assurances can be made that the Company would be able to regain or replace any lost customers.

Growth initiatives may not achieve desired business or financial objectives and may require a significant use of resources in excess of those estimated or budgeted for such initiatives.

The Company continues to identify and pursue growth opportunities through both organic growth initiatives and inorganic initiatives. These growth opportunities include development and commercialization or licensing of innovative new products and technologies and related employee leadership, expertise, and skill development and retention, expansion into new markets and geographic regions, and alliances, ventures, and acquisitions that complement and extend the Company's portfolio of businesses and capabilities. There can be no assurance that such innovation, development and commercialization or licensing efforts, investments, or acquisitions and alliances (including integration of acquired businesses) will result in financially successful commercialization of products, or acceptance by existing or new customers, or successful entry into new markets or otherwise achieve their underlying strategic business objectives or that they will be beneficial to the Company's results of operations. There also can be no assurance regarding the timing of completion of proposed acquisitions or licensing, expected benefits of proposed acquisitions or licensing, completion of integration plans, and synergies therefrom. There also can be no assurance that capital projects for growth efforts can be completed within the time or at the costs projected due, among other things, to demand for and availability of construction materials and labor and obtaining regulatory approvals and operating permits and reaching agreement on terms of key agreements and arrangements with potential suppliers and customers. Any such delays or cost overruns or the inability to obtain such approvals or to reach such agreements on acceptable terms could negatively affect the returns from any proposed or current investments and projects.

Significant acquisitions expose the Company to risks and uncertainties, the occurrence of any of which could materially adversely affect the Company's business, financial condition, and results of operations.

While acquisitions have been and continue to be a part of the Company's growth strategy, acquisitions of large companies (such as the acquisition of Taminco and Solutia) subject the Company to a number of risks and uncertainties, the occurrence of any of which could have a material adverse effect on Eastman. These include, but are not limited to the possibilities that the financial performance of the acquired business may be significantly worse than expected; that significant additional indebtedness may constrain the Company's ability to access the credit and capital markets at attractive interest rates and favorable terms, which may negatively impact the Company's liquidity or ability to pursue certain growth initiatives; that the Company may not be able to achieve the cost, revenue, tax, or other "synergies" expected from any acquisition, or that there may be delays in achieving any such synergies; that management's time and effort may be dedicated to the new business resulting in a loss of focus on the successful operation of the Company's existing businesses; and that the Company may be required to expend significant additional resources in order to integrate any acquired business into Eastman or that the integration efforts will not achieve the expected benefits.

Legislative or regulatory actions could increase the Company's future compliance costs.

The Company and its facilities and businesses are subject to complex health, safety and environmental laws and regulations, which require and will continue to require significant expenditures to remain in compliance with such laws and regulations. The Company's accruals for such costs and associated liabilities are subject to changes in estimates on which the accruals are based. For example, any amount accrued for environmental matters reflects the Company's assumptions about remediation requirements at the contaminated site, the nature of the remedy, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties. Changes in the estimates on which the accruals are based, unanticipated government enforcement action, or changes in health, safety, environmental, chemical control regulations, and testing requirements could result in higher costs. Specifically, pending and proposed U.S. Federal legislation and regulation increase the likelihood that the Company's manufacturing sites will in the future be impacted by regulation of greenhouse gas emissions and energy policy, which legislation and regulation, if enacted, may result in capital expenditures, increases in costs for raw materials and energy, limitations on raw material and energy source and supply choices, and other direct compliance costs.

In addition to the foregoing most significant known risk factors to the Company, there may be other factors, not currently known to the Company, which could, in the future, materially adversely affect the Company, its business, financial condition, or results of operations. The foregoing discussion of the most significant risk factors to the Company does not necessarily present them in order of importance. This disclosure, including that under "Outlook" and other forward-looking statements and related disclosures made by the Company in this Annual Report and elsewhere from time to time, represents management's best judgment as of the date the information is given. The Company does not undertake responsibility for updating any of such information, whether as a result of new information, future events, or otherwise, except as required by law. Investors are advised, however, to consult any further public Company disclosures (such as in filings with the Securities and Exchange Commission or in Company press releases) on related subjects.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential negative impact of adverse changes in prices or rates on a firm's net income. Eastman Chemical Company ("Eastman" or the "Company") has exposure to various market risks from changes in the prices of various commodities, interest rates, and foreign currency exchange rates. In an effort to manage these risks, the Company enters into derivative contracts which are governed by policies, procedures, and internal processes set forth by its Board.

The Company determines its exposures to market risk by utilizing sensitivity analyses, which measure the potential losses in fair value resulting from one or more selected hypothetical changes in interest rates, foreign currency exchange rates, or commodity prices.

The Company is exposed to interest rate risks primarily as a result of its borrowing and investing activities, which include long-term borrowings used to maintain liquidity and to fund its business operations and capital requirements. From time to time, to manage the Company's mix of fixed and variable rate debt effectively, the Company enters into interest rate swaps. At December 31, 2014 and 2013, these borrowings, investments, and swaps were predominately U.S. dollar denominated. The nature and amount of the Company's long-term and short-term debt may vary from time to time as a result of business requirements, market conditions, and other factors. For purposes of calculating the market risks associated with the fair value of interest-rate-sensitive instruments, the Company uses a one hundred basis point shift in interest rates. At December 31, 2014 and December 31, 2013, the market risk associated with the fair value of interest-rate-sensitive instruments, assuming a one hundred basis point change in interest rates was approximately $542 million and $274 million, respectively, on long-term borrowings. The increase was primarily attributed to the fourth quarter 2014 issuance of $800 million 2.70% notes due 2020, $800 million 3.80% notes due 2025 and $400 million 4.65% notes due 2044 and second quarter 2014 issuance of $500 million 4.65% bonds maturing 2044. In addition, the corresponding market risk associated with interest rate swaps hedging the interest rate risk on the 3.6% bonds maturing 2022 and interest rate swaps for the future issuance of debt was $26 million at December 31, 2014. There were no interest rate swaps at December 31, 2013.

Due to the Company's operating cash flows and borrowings denominated in foreign currencies, the Company is exposed to market risk from changes in foreign currency exchange rates. The Company continually evaluates its foreign currency exposure based on current market conditions and the locations in which the Company conducts business. The Company manages most foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. In order to mitigate foreign currency risk, the Company from time to time enters into derivative transactions to hedge the cash flows related to certain sales and purchase transactions expected within no more than five years and denominated in foreign currencies, and enters into forward exchange contracts to hedge certain firm commitments denominated in foreign currencies. The gains and losses on these contracts offset changes in the value of related exposures. It is the Company's policy to enter into foreign currency derivative financial instruments only to the extent considered necessary to meet its objectives as stated above. The Company does not enter into foreign currency derivative financial instruments for speculative purposes. At December 31, 2014, the market risk associated with certain cash flows denominated in certain foreign currencies assuming a 10 percent adverse move in the U.S. dollar relative to these foreign currencies was approximately $100 million, with an additional $10 million exposure for each additional one percentage point adverse change in those foreign currency rates. At December 31, 2013, the market risk associated with cash flows denominated in certain foreign currencies assuming a 10 percent adverse move in the U.S. dollar relative to those currencies was approximately $137 million, with an additional $14 million exposure for each additional one percentage point adverse change in those exchange rates. Since the Company utilizes currency-sensitive derivative instruments for hedging anticipated foreign currency transactions, a loss in fair value from those instruments is generally offset by an increase in the value of the underlying anticipated transactions.

The Company is exposed to fluctuations in market prices for certain of its raw materials and energy, as well as contract sales of certain commodity products. To mitigate short-term fluctuations in market prices for certain commodities, principally propane, ethane, natural gas, paraxylene, ethylene, and benzene, as well as selling prices for ethylene, the Company from time and time enters into derivative transactions. At December 31, 2014, the market risk associated with these derivative contracts, assuming an instantaneous parallel shift in the underlying commodity price of 10 percent, was approximately $71 million with an additional $7 million exposure for each one percentage point move in closing price thereafter. At December 31, 2013, the market risk associated with these derivative contracts, assuming an instantaneous parallel shift in the underlying commodity price of 10 percent, was $30 million, with less than an additional $3 million exposure for each one percentage point move in closing price thereafter. The increase in market risk in 2014 compared to 2013 was due to a significantly larger commodity derivative portfolio at December 31, 2014.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation and integrity of the accompanying consolidated financial statements of Eastman Chemical Company ("Eastman" or the "Company") appearing on pages 80 through 139. Eastman has prepared these consolidated financial statements in accordance with accounting principles generally accepted in the United States, and the statements of necessity include some amounts that are based on management's best estimates and judgments.

Eastman's accounting systems include extensive internal controls designed to provide reasonable assurance of the reliability of its financial records and the proper safeguarding and use of its assets. Such controls are based on established policies and procedures, are implemented by trained, skilled personnel with an appropriate segregation of duties, and are monitored through a comprehensive internal audit program. The Company's policies and procedures prescribe that the Company and all employees are to maintain the highest ethical standards and that its business practices throughout the world are to be conducted in a manner that is above reproach.

The accompanying consolidated financial statements have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, who were responsible for conducting their audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Their report is included herein.

The Board of Directors exercises its responsibility for these financial statements through its Audit Committee, which consists entirely of non-management Board members. The independent registered public accounting firm and internal auditors have full and free access to the Audit Committee. The Audit Committee meets periodically with PricewaterhouseCoopers LLP and Eastman's director of internal auditing, both privately and with management present, to discuss accounting, auditing, policies and procedures, internal controls, and financial reporting matters.

/s/ Mark J. Costa	/s/ Curtis E. Espeland
Mark J. Costa	Curtis E. Espeland
Chief Executive Officer	Executive Vice President and
	Chief Financial Officer

February 27, 2015

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Eastman Chemical Company

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Eastman Chemical Company (the "Company") and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, Management has excluded Taminco Corporation (“Taminco”) and Commonwealth Laminating and Coating, Inc. (“Commonwealth”) from its assessment of internal control over financial reporting as of December 31, 2014, as they were acquired on December 5, 2014 and December 11, 2014, respectively. We have also excluded Taminco and Commonwealth from our audit of internal control over financial reporting. Taminco and Commonwealth are wholly-owned subsidiaries of the Company whose total assets and total sales represent 25% and 1%, respectively, of the related consolidated financial statement amounts of the Company as of and for the year ended December 31, 2014.

/s/PricewaterhouseCoopers LLP
Philadelphia, PA
February 27, 2015

EASTMAN

CONSOLIDATED STATEMENTS OF EARNINGS, COMPREHENSIVE INCOME AND RETAINED EARNINGS

(Dollars in millions, except per share amounts)	For years ended December 31, 2014	2013	2012
Sales	$ 9,527	$ 9,350	$ 8,102
Cost of sales	7,306	6,574	6,340
Gross profit	2,221	2,776	1,762
Selling, general and administrative expenses	755	645	644
Research and development expenses	227	193	198
Asset impairments and restructuring charges, net	77	76	120
Operating earnings	1,162	1,862	800
Net interest expense	187	180	143
Other (income) charges, net	(15)	3	8
Earnings from continuing operations before income taxes	990	1,679	649
Provision for income taxes from continuing operations	235	507	206
Earnings from continuing operations	755	1,172	443
Earnings from discontinued operations, net of tax	2	—	—
Gain from disposal of discontinued operations, net of tax	—	—	1
Net earnings	757	1,172	444
Less: Net earnings attributable to noncontrolling interest	6	7	7
Net earnings attributable to Eastman	$ 751	$ 1,165	$ 437
Amounts attributable to Eastman stockholders			
Earnings from continuing operations, net of tax	$ 749	$ 1,165	$ 436
Earnings from discontinued operations, net of tax	2	—	1
Net earnings attributable to Eastman stockholders	$ 751	$ 1,165	$ 437
Basic earnings per share attributable to Eastman			
Earnings from continuing operations	$ 5.01	$ 7.57	$ 2.99
Earnings from discontinued operations	0.02	—	0.01
Basic earnings per share attributable to Eastman	$ 5.03	$ 7.57	$ 3.00
Diluted earnings per share attributable to Eastman			
Earnings from continuing operations	$ 4.95	$ 7.44	$ 2.92
Earnings from discontinued operations	0.02	—	0.01
Diluted earnings per share attributable to Eastman	$ 4.97	$ 7.44	$ 2.93

CONSOLIDATED STATEMENTS OF EARNINGS, COMPREHENSIVE INCOME AND RETAINED EARNINGS (continued)

(Dollars in millions, except per share amounts)	For years ended December 31, 2014	2013	2012
Comprehensive Income			
Net earnings including noncontrolling interest	$ 757	$ 1,172	$ 444
Other comprehensive income (loss), net of tax			
Change in cumulative translation adjustment	(201)	28	41
Defined benefit pension and other postretirement benefit plans:			
Prior service credit arising during the period	—	29	2
Amortization of unrecognized prior service credits included in net periodic costs	(17)	(16)	(15)
Derivatives and hedging:			
Unrealized gain (loss) during period	(230)	6	(36)
Reclassification adjustment for gains (losses) included in net income, net	—	1	(7)
Total other comprehensive income (loss), net of tax	(448)	48	(15)
Comprehensive income including noncontrolling interest	309	1,220	429
Comprehensive income attributable to noncontrolling interest	6	7	7
Comprehensive income attributable to Eastman	$ 303	$ 1,213	$ 422
Retained Earnings			
Retained earnings at beginning of period	$ 4,012	$ 3,038	$ 2,760
Net earnings attributable to Eastman	751	1,165	437
Cash dividends declared	(218)	(191)	(159)
Retained earnings at end of period	$ 4,545	$ 4,012	$ 3,038

The accompanying notes are an integral part of these consolidated financial statements.

EASTMAN

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Dollars in millions, except per share amounts)	December 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 214	$ 237
Trade receivables, net	936	880
Miscellaneous receivables	264	208
Inventories	1,509	1,264
Other current assets	250	251
Total current assets	3,173	2,840
Properties		
Properties and equipment at cost	11,026	9,958
Less: Accumulated depreciation	5,939	5,668
Net properties	5,087	4,290
Goodwill	4,486	2,637
Intangible assets, net of accumulated amortization	2,905	1,781
Other noncurrent assets	421	297
Total assets	$ 16,072	$ 11,845
Liabilities and Stockholders' Equity		
Current liabilities		
Payables and other current liabilities	$ 1,721	$ 1,470
Borrowings due within one year	301	—
Total current liabilities	2,022	1,470
Long-term borrowings	7,248	4,254
Deferred income tax liabilities	946	496
Post-employment obligations	1,498	1,297
Other long-term liabilities	768	453
Total liabilities	12,482	7,970
Commitments and contingencies (Note 12)		
Stockholders' equity		
Common stock ($0.01 par value per share – 350,000,000 shares authorized; shares issued – 216,256,971 and 215,131,237 for 2014 and 2013, respectively)	2	2
Additional paid-in capital	1,817	1,778
Retained earnings	4,545	4,012
Accumulated other comprehensive income (loss)	(277)	171
	6,087	5,963
Less: Treasury stock at cost (67,660,313 shares for 2014 and 62,714,861 shares for 2013)	2,577	2,167
Total Eastman stockholders' equity	3,510	3,796
Noncontrolling interest	80	79
Total equity	3,590	3,875
Total liabilities and stockholders' equity	$ 16,072	$ 11,845

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)	For years ended December 31, 2014	2013	2012
Cash flows from operating activities			
Net earnings including noncontrolling interest	$ 757	$ 1,172	$ 444
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	450	433	360
Asset impairment charges	52	28	46
Gains on sale of assets	(5)	—	—
Provision for deferred income taxes	99	331	48
Mark-to-market (gain) loss on pension and other postretirement benefit plans	304	(383)	247
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:			
(Increase) decrease in trade receivables	19	(38)	48
(Increase) decrease in inventories	(61)	(6)	38
Increase (decrease) in trade payables	(30)	(2)	10
Pension and other postretirement contributions (in excess of) less than expenses	(165)	(149)	(97)
Variable compensation (in excess of) less than expenses	27	82	26
Other items, net	(39)	(171)	(42)
Net cash provided by operating activities	1,408	1,297	1,128
Cash flows from investing activities			
Additions to properties and equipment	(593)	(483)	(465)
Proceeds from redemption of short-term time deposits	—	—	200
Proceeds from sale of assets and investments	13	31	7
Acquisitions and investments in joint ventures, net of cash acquired	(3,509)	—	(2,669)
Additions to capitalized software	(3)	(5)	(5)
Other items, net	1	—	(30)
Net cash used in investing activities	(4,091)	(457)	(2,962)
Cash flows from financing activities			
Net increase (decrease) in commercial paper and other borrowings	(190)	425	(1)
Proceeds from borrowings	3,565	150	3,511
Repayment of borrowings	(125)	(1,105)	(1,866)
Dividends paid to stockholders	(210)	(140)	(192)
Treasury stock purchases	(410)	(238)	—
Dividends paid to noncontrolling interests	(9)	(10)	(4)
Proceeds from stock option exercises and other items, net	43	59	56
Net cash provided by (used in) financing activities	2,664	(859)	1,504
Effect of exchange rate changes on cash and cash equivalents	(4)	7	2
Net change in cash and cash equivalents	(23)	(12)	(328)
Cash and cash equivalents at beginning of period	237	249	577
Cash and cash equivalents at end of period	$ 214	$ 237	$ 249

The accompanying notes are an integral part of these consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The consolidated financial statements of Eastman and subsidiaries are prepared in conformity with accounting principles generally accepted ("GAAP") in the United States and of necessity include some amounts that are based upon management estimates and judgments. Future actual results could differ from such current estimates. The consolidated financial statements include assets, liabilities, sales revenue, and expenses of all majority-owned subsidiaries and joint ventures in which a controlling interest is maintained. Eastman accounts for other joint ventures and investments in minority-owned companies where it exercises significant influence on the equity basis. Intercompany transactions and balances are eliminated in consolidation. Certain prior period data has been reclassified in the Consolidated Financial Statements and accompanying footnotes to conform to current period presentation.

Information related to the Commonwealth Laminating and Coating, Inc., ("Commonwealth") acquisition completed on December 11, 2014, the Taminco Corporation ("Taminco") acquisition completed on December 5, 2014, the Knowlton Technologies, LLC ("Knowlton") acquisition completed on August 6, 2014, the BP plc Global Aviation Turbine Engine Oil Business ("aviation turbine oil business") acquisition completed on June 2, 2014, and the Solutia, Inc. ("Solutia") acquisition completed on July 2, 2012 is in Note 2, "Acquisitions". As of the date of acquisition, results of the acquired businesses are included in Eastman results.

Cash and Cash Equivalents

Cash and cash equivalents include cash, time deposits, and readily marketable securities with original maturities of three months or less.

Fair Value Measurements

The Company records recurring and non-recurring financial assets and liabilities as well as all non-financial assets and liabilities subject to fair value measurement at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. These fair value principles prioritize valuation inputs across three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's assumptions used to measure assets and liabilities at fair value. An asset or liability's classification within the various levels is determined based on the lowest level input that is significant to the fair value measurement.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowances are based on the number of days an individual receivable is delinquent and management's regular assessment of the financial condition of the Company's customers. The Company considers a receivable delinquent if it is unpaid after the terms of the related invoice have expired. The Company evaluates the allowance based on a monthly assessment of the aged receivables. Write-offs are recorded at the time a customer receivable is deemed uncollectible. Allowance for doubtful accounts was $10 million and $12 million at December 31, 2014 and 2013, respectively. The Company does not enter into receivables of a long-term nature, also known as financing receivables, in the normal course of business.

The Company assumed the rights and obligations under non-recourse factoring facilities as part of the acquisition of Taminco. The non-recourse factoring facilities have a combined limit of $192 million (the U.S. Dollar equivalent of the €158 million commitment amount as of December 31, 2014) and are committed until December 2017. These arrangements include receivables in the United States, Belgium, Germany, and Finland, and are subject to various eligibility requirements. The Company sells the receivables at face value but receives funding (approximately 85 percent) net of a deposit amount until collections are received from customers for the receivables sold. The total amount of eligible receivables sold and derecognized since the acquisition of Taminco on December 5, 2014 through December 31, 2014 was $61 million. The amounts outstanding under the non-recourse factoring facilities were $105 million at December 31, 2014. As part of the program, the Company continues to service the receivables at market rates with no servicing assets or liabilities recorded. The fair value of the receivables sold equals the carrying value at the time of the sale, and no gain or loss is recorded. The Company is exposed to a credit loss up to 5 percent on sold receivables.

Inventories

Inventories are valued at the lower of cost or market. The Company determines the cost of most raw materials, work in process, and finished goods inventories in the United States by the last-in, first-out ("LIFO") method. The cost of all other inventories, including inventories outside the United States, is determined by the average cost method, which approximates the first-in, first-out ("FIFO") method. The Company writes-down its inventories for estimated obsolescence or unmarketable inventory equal to the difference between the carrying value of inventory and the estimated market value based upon assumptions about future demand and market conditions.

Properties

The Company records properties at cost. Maintenance and repairs are charged to earnings; replacements and betterments are capitalized. When Eastman retires or otherwise disposes of assets, it removes the cost of such assets and related accumulated depreciation from the accounts. The Company records any profit or loss on retirement or other disposition into earnings. Asset impairments are reflected as increases in accumulated depreciation for properties that have been placed in service. In instances when an asset has not been placed in service and is impaired, the associated costs are removed from the appropriate property accounts.

Depreciation and Amortization

Depreciation expense is calculated based on historical cost and the estimated useful lives of the assets, generally using the straight-line method. Estimated useful lives for buildings and building equipment generally range from 20 to 50 years. Estimated useful lives generally ranging from 3 to 33 years are applied to machinery and equipment in the following categories: computer software (3 to 5 years); office furniture and fixtures and computer equipment (5 to 10 years); vehicles, railcars, and general machinery and equipment (5 to 20 years); and manufacturing-related improvements (20 to 33 years). Accelerated depreciation is reported when the estimated useful life is shortened and continues to be reported in Cost of Sales.

Amortization expense for definite-lived intangible assets is generally determined using a straight-line method over the estimated useful life of the asset.

For additional information, see Note 5, "Goodwill and Other Intangible Assets".

Computer Software Costs

Capitalized software costs are amortized primarily on a straight-line basis over three years, the expected useful life of such assets, beginning when the software project is substantially complete and placed in service. Capitalized software in 2014, 2013, and 2012 was approximately $3 million, $5 million, and $5 million, respectively, and consisted of costs to internally develop computer software used by the Company. During each of those same periods, approximately $7 million of previously capitalized costs were amortized. At December 31, 2014 and 2013, unamortized capitalized software costs were $11 million and $14 million, respectively. Capitalized software costs are reflected in other noncurrent assets.

Impairment of Long-Lived Assets

Definite-lived Assets

Properties and equipment and definite-lived intangible assets to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review of these long-lived assets is performed at the asset group level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If the carrying amount is not considered to be recoverable, an analysis of fair value is triggered. An impairment is recorded for the excess of the carrying amount of the asset over the fair value. Fair value is either salvage value determined through market analysis or alternative future use.

As the Company's assumptions related to long-lived assets are subject to change, write-downs may be required in the future. If estimates of fair value less costs to sell are revised, the carrying amount of the related asset is adjusted, resulting in a charge to earnings.

Goodwill

The Company conducts testing of goodwill annually in third quarter of each year or when impairment indicators arise, whichever comes first. The testing of goodwill is performed at the "reporting unit" level which the Company has determined to be its "components". Components are defined as one level below an operating segment, and in order to be a reporting unit, the component must 1) be a "business" as defined by applicable accounting standards (an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to the investors or other owners, member, or participants); 2) have discrete financial information available; and 3) be reviewed regularly by Company operating segment management. The Company aggregates certain components into reporting units based on economic similarities. During 2014 testing, the Company did not evaluate the components acquired from Solutia in 2012 for aggregation, instead testing each component as a separate reporting unit. However, management will continue to review further aggregation during the next annual testing process as those components have now been integrated into Eastman.

The Company uses an income approach and applies a fair value methodology based on discounted cash flows in testing the carrying value of goodwill for each reporting unit. The key assumptions and estimates used in the Company's 2014 goodwill impairment testing included a long-term projection of revenues, expenses, and cash flows, the estimated discount rate, and the estimated tax rate. The Company believes these assumptions are consistent with those a hypothetical market participant would use given circumstances that were present at the time the estimates were made. However, actual results and amounts may be significantly different from the Company's estimates. In addition, the use of different estimates or assumptions could result in materially different determinations. If the estimated fair value of a reporting unit is determined to be less than the carrying value of the net assets of the reporting unit including goodwill, additional steps, including an allocation of the estimated fair value to the assets and liabilities of the reporting unit, would be necessary to determine the amount, if any, of goodwill impairment.

Indefinite-lived Intangible Assets

The Company conducts testing of indefinite-lived intangible assets annually in third quarter of each year or when impairment indicators arise, whichever comes first. The carrying value of indefinite-lived intangible assets is considered to be impaired when the fair value, as established by appraisal or based on discounted future cash flows of certain related products, is less than the respective carrying values.

Indefinite-lived intangible assets, consisting of various tradenames, are tested for potential impairment by comparing the estimated fair value to the carrying amount. The Company uses an income approach, specifically the relief from royalty method, to test indefinite-lived intangible assets. The estimated fair value of the tradenames is determined based on an assumed royalty rate savings, discounted by the calculated market participant weighted average cost of capital plus a one percent risk premium. The carrying value of indefinite-lived intangible assets is considered to be impaired when the estimated fair value is less than the carrying value of the trademarks.

Investments

The consolidated financial statements include the accounts of the Company and all its subsidiaries and entities/joint ventures in which a controlling interest is maintained.

Investments in affiliates over which the Company has significant influence but not a controlling interest are carried on the equity basis. Under the equity method of accounting, these investments are included in other noncurrent assets. The Company includes its share of earnings and losses of such investments in other (income) charges, net, and its share of other comprehensive income (loss) in the appropriate component of accumulated other comprehensive income (loss) in stockholders' equity.

Pension and Other Postretirement Benefits

The Company maintains defined benefit pension plans that provide eligible employees with retirement benefits. Additionally, Eastman provides a subsidy toward life insurance, health care, and dental benefits for eligible retirees and a subsidy toward health care and dental benefits for retirees' eligible survivors. The costs and obligations related to these benefits reflect the Company's assumptions related to general economic conditions (particularly interest rates), expected return on plan assets, rate of compensation increase or decrease for employees, and health care cost trends. The cost of providing plan benefits depends on demographic assumptions including retirements, mortality, turnover, and plan participation.

Eastman's pension and other postretirement benefit plans costs consist of two elements: 1) ongoing costs recognized quarterly, which are comprised of service and interest costs, expected returns on plan assets, and amortization of prior service credits; and 2) mark-to-market ("MTM") gains and losses recognized annually, in the fourth quarter of each year, resulting from changes in actuarial assumptions for discount rates and the differences between actual and expected returns on plan assets. Any interim remeasurements triggered by a curtailment, settlement, or significant plan changes are recognized as an MTM adjustment in the quarter in which such remeasurement event occurs.

For additional information, see Note 11, "Retirement Plans".

Environmental Costs

The Company accrues environmental remediation costs when it is probable that the Company has incurred a liability at a contaminated site and the amount can be reasonably estimated. When a single amount cannot be reasonably estimated but the cost can be estimated within a range, the Company accrues the minimum amount. This undiscounted accrued amount reflects liabilities expected to be paid out within 30 years and the Company's assumptions about remediation requirements at the contaminated site, the nature of the remedy, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties. Changes in the estimates on which the accruals are based, unanticipated government enforcement action, or changes in health, safety, environmental, and chemical control regulations and testing requirements could result in higher or lower costs.

The Company also establishes reserves for closure/postclosure costs associated with the environmental and other assets it maintains. Environmental assets include but are not limited to waste management units, such as landfills, water treatment facilities, and surface impoundments. When these types of assets are constructed or installed, a reserve is established for the future costs anticipated to be associated with the closure of the site based on an expected life of the environmental assets and the applicable regulatory closure requirements. These expenses are charged into earnings over the estimated useful life of the assets. Currently, the Company estimates the useful life of each individual asset up to 50 years. If the Company changes its estimate of the environmental asset retirement obligation costs or its estimate of the useful lives of these assets, the expenses charged into earnings could increase or decrease. The Company also monitors conditional obligations and recognizes contingent liabilities associated with them when and to the extent that more detailed information becomes available concerning applicable retirement costs.

The current portion of accruals for environmental liabilities is included in payables and other current liabilities with the long-term portion included in other long-term liabilities. These accruals exclude claims for recoveries from insurance companies or other third parties. Environmental costs are capitalized if they extend the life of the related property, increase its capacity, and/or mitigate or prevent future contamination. The cost of operating and maintaining environmental control facilities is charged to expense.

For additional information see Note 13, "Environmental Matters and Asset Retirement Obligations".

Derivative Financial Instruments

Derivative financial instruments are used by the Company when appropriate to manage its exposures to fluctuations in foreign currency exchange rates, certain contract sales prices, raw material and energy costs, and interest rates. These instruments are used to mitigate the risk that changes in exchange rates, sales prices, raw material and energy costs, or interest rates will adversely affect the eventual dollar cash flows resulting from the hedged transactions.

From time to time, the Company enters into currency option and forward contracts to hedge anticipated, but not yet committed, export sales and purchase transactions expected within no more than five years and denominated in foreign currencies (principally the euro and the Japanese yen); and forward exchange contracts to hedge certain firm commitments denominated in foreign currencies. To mitigate fluctuations in the market prices of commodities and their effects on the cash costs of the underlying transactions expected over the next five years for propane, ethane, natural gas, paraxylene, and benzene (certain raw material and energy used in the manufacturing process) and selling prices for ethylene, the Company may enter into option and forward contracts. From time to time, the Company also utilizes interest rate derivative instruments, primarily forward starting interest rate swaps and Treasury locks, to hedge the Company's exposure to movements in interest rates.

The Company's qualifying option and forward contracts are accounted for as hedges because the derivative instruments are designated and demonstrated to be effective as hedges of the underlying risks. Gains and losses resulting from effective hedges of existing liabilities, firm commitments, or anticipated transactions are deferred and recognized when the offsetting gains and losses are recognized on the related hedged items and are reported as a component of operating earnings. Derivative assets and liabilities are recorded at fair value.

The gains or losses on nonqualifying derivatives or derivatives that are not designated as hedges are marked to market and immediately recorded into earnings from continuing operations.

Deferred option premiums are included in the fair market value of the hedges. The related obligation for payment is generally included in other liabilities and is paid in the period in which the options are exercised or expire.

For additional information see Note 10, "Derivatives".

Litigation and Contingent Liabilities

The Company and its operations from time to time are, and in the future may be, parties to or targets of lawsuits, claims, investigations, and proceedings, including product liability, personal injury, asbestos, patent and intellectual property, commercial, contract, environmental, antitrust, health and safety, and employment matters, which are handled and defended in the ordinary course of business. The Company accrues a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When a single amount cannot be reasonably estimated but the cost can be estimated within a range, the Company accrues the minimum amount. The Company expenses legal costs, including those expected to be incurred in connection with a loss contingency, as incurred.

Revenue Recognition and Customer Incentives

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price to the customer is fixed or determinable, and collectability is reasonably assured. Revenue for products is recognized when title and risk of loss transfer to the customer.

The Company records estimated obligations for customer programs and incentive offerings, which consist primarily of revenue or volume-based amounts that a customer must achieve over a specified period of time, as a reduction of revenue from each underlying revenue transaction as the customer progresses toward goals specified in incentive agreements. These estimates are based on a combination of forecasts of customer sales and actual sales volume and revenues against established goals, the customer's current level of purchases, Eastman's knowledge of customer purchasing habits, and industry pricing practice. The incentive payment rate may be variable, based upon the customer reaching higher sales volume or revenue levels over a specified period of time in order to receive an agreed upon incentive payment.

Shipping and Handling Fees and Costs

Shipping and handling fees related to sales transactions are billed to customers and are recorded as sales revenue. Shipping and handling costs incurred are recorded in cost of sales.

Restructuring of Operations

The Company records restructuring charges incurred in connection with consolidation of operations, exited business or product lines, or shutdowns of specific sites that are expected to be substantially completed within twelve months. These restructuring charges are recorded as incurred, and are associated with site closures, legal and environmental matters, demolition, contract terminations, obsolete inventory, or other costs directly related to the restructuring. The Company records severance charges for employee separations when the separation is probable and reasonably estimable. In the event employees are required to perform future service, the Company records severance charges ratably over the remaining service period of those employees.

Share-based Compensation

The Company recognizes compensation expense in the financial statements for stock options and other share-based compensation awards based upon the grant-date fair value over the substantive vesting period.

For additional information, see Note 18, "Share-Based Compensation Plans and Awards".

Research and Development

All costs identified as research and development ("R&D") costs are charged to expense when incurred with the exception of third-party reimbursed and government-funded R&D. Expenses for third-party reimbursed and government-funded R&D are deferred until reimbursement is received to ensure appropriate matching of revenue and expense, provided specific criteria are met.

Income Taxes

The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax bases of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Provision has been made for income taxes on unremitted earnings of subsidiaries and affiliates, except for subsidiaries in which earnings are deemed to be indefinitely reinvested.

The Company recognizes income tax positions that meet the more likely than not threshold and accrues interest related to unrecognized income tax positions which is recorded as a component of the income tax provision.

Accounting Standard ASU 2013-11, Income Taxes (Topic 740), effective for reporting periods beginning after December 15, 2013, requires unrecognized tax benefits to be offset against a deferred tax asset for a net operating loss carryforward or similar tax loss or tax credit carryforward. As of December 31, 2014, the prospective adoption of this standard resulted in a reduction in noncurrent deferred income tax assets of $93 million in other noncurrent assets and a corresponding decrease in other long-term liabilities.

Purchase Accounting

In general, the acquisition method of accounting requires recognition of assets acquired and liabilities assumed at their respective fair values at the date of acquisition. For assets and liabilities other than intangible assets and property, plant, and equipment, the Company estimates fair value using the exit price approach which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly market. An exit price is determined from the viewpoint of unrelated market participants as a whole, in the principal or most advantageous market, and may result in the Company valuing assets or liabilities at a fair value that is not reflective of the Company's intended use of the assets or liabilities. Any amount of the purchase price paid that is in excess of the estimated fair values of net assets acquired or liabilities assumed is recorded in the line item goodwill on the Company's consolidated balance sheets.

For intangible assets, the Company uses the income, market, or cost approach (or a combination thereof) for the valuation as appropriate, and uses valuation inputs in these models and analyses that are based on market participant assumptions. Management values property, plant and equipment using the cost approach supported where available by observable market data which includes consideration of obsolescence. See Note 2, "Acquisitions". Management's judgment is used to determine the estimated fair values assigned to assets acquired and liabilities assumed, as well as asset lives for property, plant and equipment and amortization periods for intangible assets, and can materially affect the Company's results of operations.

2. ACQUISITIONS

Taminco Corporation

On December 5, 2014, the Company completed its acquisition of the Taminco Corporation ("Taminco"), a global specialty chemical company. In the acquisition, each outstanding share of Taminco common stock was cancelled and converted automatically into the right to receive $26.00 in cash, ("Acquisition Consideration"). Additionally, each outstanding option to acquire shares of Taminco common stock issued under any of Taminco's equity incentive plans, whether or not then vested, was converted into the right to receive, in cash and for each share of Taminco common stock subject to such option, the amount by which the value of the Acquisition Consideration exceeded such option's exercise price. The fair value of total consideration transferred was $2.8 billion, consisting of cash of $1.7 billion, net of cash acquired, and repayment of Taminco's debt of $1.1 billion. The acquisition was accounted for as a business combination. Taminco's former specialty amines and crop protection businesses are now operated as part of the Additives & Functional Products ("AFP") segment and its former functional amines business are now operated as part of the Specialty Fluids & Intermediates ("SFI") segment. The businesses acquired from Taminco are expected to provide additional opportunities for growth to Eastman in agriculture, personal care, coatings, and oil and gas markets.

The funding of the cash portion of the purchase price, repayment of Taminco's debt, and acquisition costs were provided primarily from borrowings, including the $1.96 billion net proceeds from the public offering of notes on November 20, 2014 and borrowings of $1.0 billion on December 5, 2015 under a five-year term loan agreement (the "Term Loan Agreement"). See Note 9, "Borrowings".

The following table summarizes the preliminary purchase price allocation for the Taminco acquisition, any subsequent adjustments are not expected to have a material impact on the Company's results of operations:

Assets acquired and liabilities assumed

(Dollars in millions)		As of December 5, 2014
Current assets	$	266
Properties and equipment		658
Intangible assets		1,002
Other noncurrent assets		37
Goodwill		1,509
Current liabilities		(161)
Long-term liabilities		(546)
Total purchase price, net of cash acquired	$	2,765

The Company used the income, market, or cost approach (or a combination thereof) for the valuation as appropriate, and used valuation inputs in these models and analyses that were based on market participant assumptions. Market participants are considered to be buyers and sellers unrelated to Eastman in the principal or most advantageous market for the asset or liability. For certain items, the carrying value was determined to be a reasonable approximation of fair value based on information available to Eastman management. Current assets consist primarily of inventory, cash, and trade receivables. The fair value and gross contractual amounts trade receivables acquired from Taminco on December 5, 2014 was $94 million. Properties acquired included a number of manufacturing, sales, and distribution sites and related facilities, land and leased sites that include leasehold improvements, and machinery and equipment for use in manufacturing operations. Management valued properties using the cost approach supported where available by observable market data which includes consideration of obsolescence.

Acquired intangible assets are definite-lived assets and consist primarily of customer relationships, developed technologies, and contracts. Customer relationships acquired are in industries such as agriculture and personal care. The Company has preliminarily concluded that it has a favorable methanol supply contract. In addition, assets acquired include technologies related to many products protected by a number of existing patents and trade secrets. Management valued customer relationships using the excess from earnings method, contracts using the Black Scholes model, and developed technology using the relief from royalty method. All valuation methods are forms of the income approach supported by observable market data for peer chemical companies.

Intangible Assets acquired

(Dollars in millions)	Fair Value	Weighted-Average Amortization Period (Years)
Amortizable intangible assets		
Customer relationships	$ 601	24
Developed technologies	205	17
Contracts	180	5
Other intangible assets	16	10
Total	$ 1,002	

Other noncurrent assets consist primarily of deferred tax assets and investments. In connection with the acquisition, the Company recorded goodwill, which represents the excess of the purchase price over the estimated preliminary fair value of tangible and intangible assets acquired, net of liabilities assumed. The goodwill is attributed primarily to Taminco as a going concern and the fair value of expected cost synergies and revenue growth from combining the Eastman and Taminco businesses. The going concern element represents the ability to earn a higher return on the combined assembled collection of assets and businesses of Taminco than if those assets and businesses were to be acquired and managed separately. Other relevant elements of goodwill are the benefits of access to certain markets and work force. Goodwill from the Taminco acquisition has been preliminarily allocated to certain of the Company's reportable segments as set out in the table below. None of the goodwill is deductible for tax purposes.

Goodwill

(Dollars in millions)	Goodwill by Segment
Additives & Functional Products	$ 908
Specialty Fluids & Intermediates	601
Total	$ 1,509

Current liabilities consist primarily of trade payables, deferred tax liabilities, and accrued charges. Long-term liabilities are primarily deferred tax liabilities, pension and other postretirement welfare plan obligations, and asset retirement liabilities. Management also evaluated probable loss contingencies, including those for legal, asset retirement, and environmental matters, as prescribed under GAAP. Due to the lack of observable market inputs, assumed liabilities for asset retirement and environmental loss contingencies that were both probable and estimable were recorded based upon estimates of future cash outflows for such contingencies as of the acquisition date. See Note 13, "Environmental Matters and Asset Retirement Obligations", for more information.

In 2014, the Company recognized $14 million in transaction costs, $1 million in integration costs, and $13 million in pre-close financing costs related to the acquisition. Transaction costs and integration costs were expensed as incurred and are included in the "Selling, general and administrative expenses" line item and pre-close financing costs are included in the "Other (income) charges, net" and "Net interest expense" line items in the Consolidated Statements of Earnings, Comprehensive Income, and Retained Earnings. As required by purchase accounting, acquired inventories were marked to fair value. These inventories were sold in fourth quarter 2014 resulting in a $15 million increase in cost of sales.

Beginning December 2014, the Company's consolidated results of operations included the results of the acquired Taminco businesses. Since the date of the acquisition, sales revenue of $84 million and an operating loss of $9 million from the acquired Taminco businesses have been included in the Company's consolidated results of operations for 2014. The operating loss includes the additional costs of acquired inventories, transaction costs, integration costs, and pre-close financing costs.

The unaudited pro forma financial results for years ended December 31, 2014 and 2013 combine the consolidated results of Eastman and Taminco giving effect to the acquisition of Taminco as if it had been completed on January 1, 2013, the beginning of the comparable annual reporting period prior to the year of acquisition. Such unaudited pro forma financial results do not give pro forma effect to any other transaction or event. The unaudited pro forma financial results presented below do not include any anticipated synergies or other expected benefits of the acquisition. This unaudited pro forma financial information is presented for informational purposes only and is not indicative of future operations or results had the acquisition been completed as of January 1, 2013 or any other date.

The unaudited pro forma financial results include certain adjustments for additional depreciation and amortization expense based upon the fair value step-up and estimated useful lives of Taminco depreciable fixed assets and definite-life amortizable assets acquired in the transaction. The unaudited pro forma results also include adjustments to net interest expense. The provision for income taxes from continuing operations also has been adjusted for all periods, based upon the foregoing adjustments to historical results.

	For years ended December 31,	
(Unaudited, dollars in millions)	2014	2013
Pro forma sales	$ 10,819	$ 10,550
Pro forma earnings from continuing operations	834	1,101

Unaudited pro forma earnings from continuing operations for 2013 have been adjusted to include certain items, such as pre-close financing, integration, and transaction costs historically recorded by Eastman and Taminco directly attributable to the acquisition, which will not have an ongoing impact. These items include transaction, integration, and pre-close financing costs incurred by Eastman during 2014 as well as transaction costs incurred by Taminco prior to its acquisition by Eastman. Additionally, the unaudited pro forma financial results for 2013 have been adjusted to reflect the additional costs of acquired inventories. Accordingly, these non-recurring costs have been eliminated from unaudited pro forma earnings from continuing operations for 2014.

Commonwealth Laminating and Coating, Inc.

On December 11, 2014, the Company acquired Commonwealth Laminating and Coating, Inc. ("Commonwealth") for a total cash purchase price of $438 million, prior to post-closing adjustments. The acquisition was accounted for as a business combination and is reported in the Advanced Materials ("AM") segment. The acquisition of Commonwealth strengthens the Company's window film product portfolio, adds industry leading protective film technology, and increases scale cost efficiencies.

The following table summarizes the preliminary purchase price allocation for the Commonwealth acquisition, any subsequent adjustments are not expected to have a material impact on the Company's financial position or results of operations:

Assets acquired and liabilities assumed

(Dollars in millions)	As of December 11, 2014
Current assets	$ 51
Machinery and equipment	38
Goodwill	274
Intangible assets	125
Long-term liabilities	(50)
Total purchase price	$ 438

Current assets consist primarily of inventory acquired. Machinery and equipment acquired included a manufacturing operation in Martinsville, Virginia. Management valued machinery and equipment using the cost approach supported by published industry sources.

Acquired intangible assets included customer relationships and developed technologies in the window film industry. Also acquired was the SunTek® brand name that is business-to-business in nature. Management valued intangible assets using the relief from royalty and multi-period excess earnings methods, both forms of the income approach supported by observable market data for peer chemical companies.

Intangible Assets acquired

(Dollars in millions)		Fair Value	Weighted-Average Amortization Period (Years)
Amortizable intangible assets			
Customer relationships	$	72	14
Developed technologies		41	18
Indefinite-lived intangible asset			
Brand name		12	
Total	$	125	

In connection with this acquisition, the Company recorded goodwill equal to the excess of the purchase price over the estimated fair value of net tangible and intangible assets acquired and liabilities assumed. None of the goodwill is deductible for tax purposes.

In 2014, the Company recognized $5 million and $2 million in transaction and integration costs, respectively, related to the acquisition. Transaction and integration costs were expensed as incurred and are included in the "Selling, general and administrative expenses" line item in the Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings. As required by purchase accounting, acquired inventories were marked to fair value. Approximately one fifth of these inventories were sold in December 2014 resulting in a $1 million increase in cost of sales.

Beginning in December 2014, the Company's consolidated results of operations included the results of Commonwealth. Based on applicable accounting and reporting guidance, the acquisition is not material to the Company's consolidated financial statements; therefore, pro forma financial information has not been presented.

BP plc's Global Aviation Turbine Engine Oil Business

On June 2, 2014, the Company acquired BP plc's global aviation turbine engine oil business ("aviation turbine oil business") for a total cash purchase price of $283 million. The acquisition was accounted for as a business combination and is reported in the SFI segment. In combination with Eastman's Skydrol® aviation hydraulic fluids business, the acquired aviation turbine oil business enables Eastman to better supply the global aviation industry.

The purchase price allocation for the aviation turbine oil business acquisition is final as of December 31, 2014. Adjustments to the June 30, 2014 preliminary purchase price allocation of the aviation turbine oil business acquisition during 2014 are reflected in the Company's Consolidated Statements of Financial Position as of December 31, 2014 and are summarized in the table below. These adjustments are not material to the Company's financial position or results of operations for 2014. The following table summarizes the purchase price allocation for the aviation turbine oil business acquisition as of June 2, 2014, as previously reported at June 30, 2014, the net impact of adjustments during 2014, and the resulting finalized purchase price allocation for the aviation turbine oil business acquisition as of June 2, 2014 as reported at December 31, 2014.

Assets acquired and liabilities assumed

(Dollars in millions)		As of June 2, 2014 Previously Reported		Increase (Decrease)		As of June 2, 2014 As Adjusted
Current assets	$	42	$	—	$	42
Machinery and equipment		11		(1)		10
Goodwill		68		24		92
Intangible assets		162		(23)		139
Total purchase price	$	283	$	—	$	283

Current assets consist primarily of inventory acquired. Machinery and equipment acquired included manufacturing operations in Linden, New Jersey and technology resources in Naperville, Illinois. Management valued machinery and equipment using the cost approach supported by published industry sources.

In connection with this acquisition, the Company recorded goodwill equal to the excess of the purchase price over the estimated fair value of net tangible and intangible assets acquired and liabilities assumed. All goodwill is expected to be deductible for tax purposes.

Intangible assets acquired included brands that are business-to-business in nature. Also acquired were customer relationships in the aviation industry. Management valued intangible assets using the relief from royalty and multi-period excess earnings methods, both forms of the income approach supported by observable market data for peer chemical companies.

Intangible Assets acquired

(Dollars in millions)	Fair Value		Weighted-Average Amortization Period (Years)
Amortizable intangible assets			
Brands	$	74	30
Customer relationships		65	16
Total	$	139	

In 2014, the Company recognized $3 million and $3 million in transaction and integration costs, respectively, related to the acquisition. Transaction and integration costs were expensed as incurred and are included in the "Selling, general and administrative expenses" line item in the Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings. As required by purchase accounting, acquired inventories were marked to fair value. These inventories were sold in 2014 resulting in an $8 million increase in cost of sales, primarily in third quarter 2014.

Beginning in June 2014, the Company's consolidated results of operations included the results of the acquired aviation turbine oil business. Based on applicable accounting and reporting guidance, the acquisition is not material to the Company's consolidated financial statements; therefore, pro forma financial information has not been presented.

Knowlton Technologies, LLC

On August 6, 2014, the Company acquired Knowlton Technologies, LLC. ("Knowlton"), a leader in the design, accelerated prototyping, and manufacture of wet-laid nonwovens in filtration, friction, and custom designed composite webs, for a total cash purchase price of $42 million, prior to post-closing adjustments. The acquisition was accounted for as a business combination. The acquired Knowlton business is a developing business of the Eastman™ microfiber technology platform, the financial results of which are not identifiable to an operating segment and are shown as "other" operating earnings (loss). Current assets consist primarily of $14 million in accounts receivable and inventory acquired. Management valued properties and equipment, totaling $19 million, using the cost approach supported where available by observable market data which includes consideration of obsolescence. Goodwill of $7 million, which represents the excess of the purchase price over the estimated fair value of net tangible and intangible assets acquired and liabilities assumed, is expected to be deductible for tax purposes. Acquired intangible assets of $6 million consist primarily of developed technologies with an amortization period of 15 years. Management valued intangible assets using the relief from royalty method, a form of the income approach supported by observable market data from peer chemical companies. Current liabilities of $4 million consist primarily of accounts payable. Values assigned are finalized with the exception of post-closing adjustment confirmation.

Solutia Inc.

On July 2, 2012, the Company completed its acquisition of Solutia, a global leader in performance materials and specialty chemicals. In the acquisition, each outstanding share of Solutia common stock was cancelled and converted automatically into the right to receive $22.00 in cash and 0.12 shares of Eastman common stock. In total, 14.7 million shares of Eastman common stock were issued in the transaction. The fair value of total consideration transferred was $4.8 billion, consisting of cash of $2.6 billion, net of cash acquired; equity in the form of Eastman stock of approximately $700 million; and the assumption and subsequent repayment of Solutia's debt at fair value of $1.5 billion.

The funding of the cash portion of the purchase price, repayment of Solutia's debt, and acquisition costs was provided primarily from borrowings, including the $2.3 billion net proceeds from the public offering of notes on June 5, 2012 and borrowings of $1.2 billion on July 2, 2012 under a five-year term loan agreement (the "Term Loan"). See Note 9, "Borrowings".

The purchase price allocation for the July 2, 2012 Solutia acquisition was finalized as of June 30, 2013. Updates to the December 31, 2012 preliminary purchase price allocation of the Solutia acquisition during second quarter 2013 for finalization of current and deferred income taxes were reflected in the Company's Consolidated Statements of Financial Position as of June 30, 2013 and are summarized in the table below. These adjustments were primarily for finalization of valuation allowances against Federal and state deferred tax assets in connection with the filing of the final Solutia consolidated federal tax return. These updates were not material to the Company's financial position or results of operations for 2012 or 2013.

Assets acquired and liabilities assumed

(Dollars in millions)	Initial Evaluation	2012 Net Adjustments to Fair Value	December 31, 2012	2013 Net Adjustments to Fair Value	June 30, 2013
Current assets	$ 901	$ 19	$ 920	$ 2	$ 922
Properties and equipment	940	7	947	—	947
Intangible assets	1,807	(16)	1,791	—	1,791
Other noncurrent assets	612	2	614	67	681
Goodwill	1,965	265	2,230	(22)	2,208
Current liabilities	(461)	(1)	(462)	—	(462)
Long-term liabilities	(2,389)	(276)	(2,665)	(47)	(2,712)
Equity and cash consideration, net of $88 million cash acquired	$ 3,375	$ —	$ 3,375	$ —	$ 3,375

The Company used the income, market, or cost approach (or a combination thereof) for the valuation as appropriate, and used valuation inputs in these models and analyses that were based on market participant assumptions. Market participants are considered to be buyers and sellers unrelated to Eastman in the principal or most advantageous market for the asset or liability. For certain items, the carrying value was determined to be a reasonable approximation of fair value based on information available to Eastman management. The fair value of receivables acquired from Solutia on July 2, 2012 was $350 million, with gross contractual amounts receivable of $366 million. Acquired intangible assets were primarily customer relationships, trade names, and developed technologies. Long-term liabilities were primarily Solutia's debt, which was repaid by Eastman at closing, deferred tax liabilities, environmental liabilities, and pension and other postretirement welfare plan obligations. The Company finalized the acquisition accounting related to the transaction during fourth quarter 2012 with the exception of income taxes which were completed during the second quarter 2013 and did not have a material impact on the Company's financial position or results of operations.

The acquisition of Solutia broadened Eastman's global presence, facilitated growth opportunities through enhanced access to markets such as the automotive and architectural industries, and expanded Eastman's portfolio of sustainable products. In connection with the purchase, the Company recorded goodwill, equal to the excess of the purchase price over the estimated fair value of tangible and intangible assets acquired, net of liabilities assumed. The goodwill is attributed primarily to Solutia as a going concern and the fair value of expected cost synergies and revenues growth from combining the Eastman and Solutia businesses. The going concern element represents the ability to earn a higher return on the combined assembled collection of assets and businesses of Solutia than if those assets and businesses were to be acquired and managed separately. Other relevant elements of goodwill are the benefits of access to certain markets and work force. Goodwill from the Solutia acquisition has been allocated to certain of the Company's reportable segments as set forth in the table below. None of the goodwill is deductible for tax purposes.

Goodwill	Goodwill by Segment
(Dollars in millions)	
Additives & Functional Products	$ 745
Advanced Materials	1,004
Specialty Fluids & Intermediates	459
Total	$ 2,208

Properties acquired included a number of manufacturing, sales, and distribution sites and related facilities, land and leased sites that include leasehold improvements, and machinery and equipment for use in manufacturing operations. Management valued properties using the cost approach supported where available by observable market data which includes consideration of obsolescence.

Intangible assets acquired included a number of trade names and trademarks that are both business-to-business and business-to-consumer in nature, including Crystex®, Saflex®, and LLumar®. Also acquired was technology related to products protected by a number of existing patents, patent applications, and trade secrets. In addition to these intangible assets, the Company acquired a number of customer relationships in industries such as automotive tires and aviation. Management valued intangible assets using the relief from royalty and multi-period excess earnings methods, both forms of the income approach supported by observable market data for peer chemical companies.

Intangible Assets acquired

(Dollars in millions)	Fair Value	Weighted-Average Amortization Period (Years)
Amortizable intangible assets		
Customer relationships	$ 809	22
Developed technologies	440	13
Indefinite-lived intangible assets		
Trade names	542	
Total	$ 1,791	

Management estimated the fair market value of fixed-rate debt based on the viewpoint that the exit price approximated the entry price given the lack of observable market prices. Additionally, acquired interest rate swaps and foreign exchange contracts were terminated and settled immediately following the acquisition. Because these derivatives were recorded at fair value in the opening balance sheet, there were no gains or losses associated with these settlements.

Management also evaluated probable loss contingencies, including those for legal and environmental matters, as prescribed under GAAP. Due to the lack of observable market inputs, assumed liabilities for environmental loss contingencies that were both probable and estimable were recorded based upon estimates of future cash outflows for such contingencies as of the acquisition date. See Note 13, "Environmental Matters and Asset Retirement Obligations", for more information.

In 2013, the Company recognized $36 million in integration costs related to the acquisition. In 2012, the Company recognized $28 million in transaction costs, $16 million in integration costs, and $32 million in pre-close financing costs related to the acquisition. Transaction costs and integration costs were expensed as incurred and are included in the "Selling, general and administrative expenses" line item and pre-close financing costs are included in the "Other (income) charges, net" and "Net interest expense" line items in the Consolidated Statements of Earnings, Comprehensive Income, and Retained Earnings. In 2012, there were $32 million in restructuring charges primarily for severance associated with the acquisition and integration of Solutia. As required by purchase accounting, acquired inventories were marked to fair value. These inventories were sold in 2012 resulting in a $79 million increase in cost of sales, net of the LIFO impact of these inventories, primarily in third quarter 2012.

Beginning third quarter 2012, the Company's consolidated results of operations included the results of the acquired Solutia businesses. Sales revenue of $969 million and an operating loss of $25 million from the acquired Solutia businesses were included in the Company's consolidated results of operations for 2012.

The unaudited pro forma financial results for the year ended December 31, 2012 combines the consolidated results of Eastman and Solutia giving effect to the acquisition of Solutia as if it had been completed on January 1, 2011, the beginning of the comparable annual reporting period prior to the year of acquisition. Such unaudited pro forma financial results do not give pro forma effect to any other transaction or event. The unaudited pro forma financial results presented below do not include any anticipated synergies or other expected benefits of the acquisition. This unaudited pro forma financial information is presented for informational purposes only and is not indicative of future operations or results had the acquisition been completed as of January 1, 2011, or any other historical date.

The unaudited pro forma financial results include certain adjustments for additional depreciation and amortization expense based upon the fair value step-up and estimated useful lives of Solutia depreciable fixed assets and definite-life amortizable assets acquired in the transaction. The unaudited pro forma results also include adjustments to net interest expense and elimination of early debt extinguishment costs historically recorded by Solutia based upon the retirement of Solutia's debt and issuance of additional debt related to the transaction. The provision for income taxes from continuing operations has also been adjusted, based upon the foregoing adjustments to historical results, as well as the elimination of historical net changes in valuation allowances against certain deferred tax assets of Solutia.

Additionally, Solutia's historical consolidated results have been retrospectively adjusted for the change in accounting methodology for pension and other postretirement benefit plans actuarial gains and losses adopted by Eastman during first quarter 2012.

(Unaudited, dollars in millions)	2012	
Pro forma sales	$	9,120
Pro forma earnings from continuing operations including noncontrolling interest		649

Non-recurring costs directly attributable to the acquisition, which did not have an ongoing impact, are excluded from unaudited pro forma earnings from continuing operations including noncontrolling interest in 2012. These items include transaction, integration, pre-close financing, and restructuring costs incurred by Eastman during 2012, as well as transaction costs of $45 million and expenses of $19 million for the accelerated vesting of stock-based compensation awards incurred by Solutia prior to its acquisition by Eastman. Additionally, the non-recurring costs of acquired inventories have been eliminated from unaudited pro forma earnings from continuing operations for 2012.

3. INVENTORIES

	December 31,			
(Dollars in millions)	2014		2013	
At FIFO or average cost (approximates current cost)				
Finished goods	$	1,130	$	976
Work in process		288		300
Raw materials and supplies		553		494
Total inventories		1,971		1,770
LIFO reserve		(462)		(506)
Total inventories	$	1,509	$	1,264

Inventories valued on the LIFO method were approximately 55 percent and 60 percent of total inventories as of December 31, 2014 and 2013, respectively.

4. PROPERTIES AND ACCUMULATED DEPRECIATION

	December 31,			
(Dollars in millions)	2014		2013	
Properties				
Land	$	175	$	147
Buildings and building equipment		1,128		1,057
Machinery and equipment		9,252		8,389
Construction in progress		471		365
Properties and equipment at cost	$	11,026	$	9,958
Less: Accumulated depreciation		5,939		5,668
Net properties	$	5,087	$	4,290

Depreciation expense was $355 million, $345 million, and $309 million for 2014, 2013, and 2012, respectively.

Cumulative construction-period interest of $162 million and $155 million, reduced by accumulated depreciation of $103 million and $97 million, is included in net properties at December 31, 2014 and 2013, respectively.

Interest capitalized during 2014, 2013, and 2012 was $7 million, $4 million, and $4 million, respectively.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill follow:

(Dollars in millions)	Additives & Functional Products	Adhesives & Plasticizers	Advanced Materials	Specialty Fluids & Intermediates	Other Segments	Total
Reported balance at December 31, 2012	$ 945	$ 133	$ 1,044	$ 519	$ 3	$ 2,644
Adjustments resulting from subsequent recognition of deferred tax assets	5	—	(23)	(4)	—	(22)
Currency translation adjustments	(2)	(1)	19	(1)	—	15
Reported balance at December 31, 2013	948	132	1,040	514	3	2,637
Additions	908	—	274	693	7	1,882
Adjustments resulting from reorganizations	15	(9)	(9)	—	3	—
Currency translation adjustments	(13)	(5)	(8)	(7)	—	(33)
Reported balance at December 31, 2014	$ 1,858	$ 118	$ 1,297	$ 1,200	$ 13	$ 4,486

As a result of the purchases of Taminco, Commonwealth, the aviation turbine oil business from BP, and Knowlton during 2014, the Company recorded goodwill of $1,509 million, $274 million, $92 million, and $7 million, respectively.

Included in the reported balance for goodwill are accumulated impairment losses of $46 million at December 31, 2014, 2013, and 2012.

		December 31, 2014			December 31, 2013		
(Dollars in millions)	Estimated Useful Life in Years	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortizable intangible assets:							
Customer relationships	15-25	$ 1,575	$ 114	$ 1,461	$ 863	$ 71	$ 792
Technology	7-18	705	96	609	455	58	397
Contracts	5	179	3	176	—	—	—
Other	5-37	114	6	108	24	—	24
Indefinite-lived intangible assets:							
Trade names		551	—	551	568	—	568
Total identified intangible assets		$ 3,124	$ 219	$ 2,905	$ 1,910	$ 129	$ 1,781

As a result of the purchases of Taminco, Commonwealth, the aviation turbine oil business from BP, and Knowlton during 2014, the Company recorded intangible assets of $1,002 million, $125 million, $139 million, and $6 million, respectively, primarily for customer relationships, developed technology, and trade names.

Amortization expense of definite-lived intangible assets related to continuing operations was $90 million, $80 million, and $42 million for 2014, 2013, and 2012, respectively. Estimated amortization expense for future periods is $169 million in each year for 2015 through 2019.

As a result of the annual impairment testing of indefinite-lived intangible assets, the Company recognized intangible asset impairments of $24 million on trade names. See Note 16, "Asset Impairments and Restructuring Charges, Net", for additional information regarding impairments of trade names.

See Note 2, "Acquisitions", for further details regarding the acquisitions of Taminco, Commonwealth, the aviation turbine oil business, and Knowlton.

6. EQUITY INVESTMENTS

Eastman has a 50 percent interest in and serves as the operating partner in Primester, a joint venture which manufactures cellulose acetate at Eastman's Kingsport, Tennessee plant. This investment is accounted for under the equity method. Eastman's net investment in the joint venture at December 31, 2014 and 2013 was approximately $19 million and $21 million, respectively, which was comprised of the recognized portion of the venture's accumulated deficits, long-term amounts owed to Primester, and a long-term notes receivable from Primester to Eastman. Such amounts are included in other noncurrent assets.

Eastman owns 50 percent or less interest in other joint ventures which are accounted for under the equity method and included in other noncurrent assets. These include a 50 percent interest in a joint venture that has a manufacturing facility in Nanjing, China. The Nanjing facility produces Eastotac™ hydrocarbon tackifying resins for pressure-sensitive adhesives, caulks, and sealants. These also include a joint venture with a 50 percent interest for the manufacture of compounded cellulose diacetate ("CDA") in Shenzhen, China. CDA is a bio-derived material, which is used in various injection molded applications, including but not limited to ophthalmic frames, tool handles and other end use products. In third quarter 2013, the Company completed construction of a 30,000 metric ton acetate tow manufacturing facility in Hefei, China, in a joint venture with China National Tobacco Corporation in which the Company has 45 percent ownership. The Company began supplying 100 percent of the acetate flake raw material to the joint venture in third quarter 2013 from the Company's manufacturing facility in Kingsport. In 2012, the Company entered into an agreement to form a joint venture to build a 50,000 metric ton hydrogenated hydrocarbon resin plant in Nanjing, China. Eastman also acquired in the Taminco acquisition, a 50 percent interest in a joint venture with Mitsubishi Gas Chemical Company in Nanjing, China which manufactures amines and amine derivatives. At December 31, 2014 and 2013, the Company's investment in these joint ventures was approximately $102 million and $70 million, respectively.

7. PAYABLES AND OTHER CURRENT LIABILITIES

(Dollars in millions)	December 31, 2014	December 31, 2013
Trade creditors	$ 827	$ 762
Derivative hedging liability	227	24
Accrued payrolls, vacation, and variable-incentive compensation	191	205
Other	476	479
Total payables and other current liabilities	$ 1,721	$ 1,470

Included in "Other" above are certain accruals for payroll deductions and employee benefits, accrued taxes, interest payable, dividends payable, post-employment obligations, current portion of environmental remediation liabilities, and other payables and accruals.

8. PROVISION FOR INCOME TAXES

Components of earnings from continuing operations before income taxes and the provision (benefit) for U.S. and other income taxes from continuing operations follow:

	For years ended December 31,		
(Dollars in millions)	2014	2013	2012
Earnings (loss) from continuing operations before income taxes			
United States	$ 627	$ 1,437	$ 651
Outside the United States	363	242	(2)
Total	$ 990	$ 1,679	$ 649
Provision (benefit) for income taxes on earnings from continuing operations			
United States Federal			
Current	$ 64	$ 143	$ 123
Deferred	135	300	95
Outside the United States			
Current	66	3	27
Deferred	(35)	15	(51)
State and other			
Current	6	30	14
Deferred	(1)	16	(2)
Total	$ 235	$ 507	$ 206

The following represents the deferred tax charge (benefit) recorded as a component of accumulated other comprehensive income in stockholders' equity.

	For years ended December 31,		
(Dollars in millions)	2014	2013	2012
Unrecognized losses and prior service credits for benefit plans	$ (11)	$ 8 [1]	$ (7)
Cumulative translation adjustment	—	(1) [1]	1
Unrealized gains (losses) on cash flow hedges	(141)	5 [1]	(27)
Total	$ (152)	$ 12 [1]	$ (33)

Total income tax expense (benefit) included in the consolidated financial statements was composed of the following:

	For years ended December 31,		
(Dollars in millions)	2014	2013	2012
Continuing operations	$ 235	$ 507	$ 206
Discontinued operations	2	—	—
Other comprehensive income	(152)	12 [1]	(33)
Total	$ 85	$ 519	$ 173

[1] Revised from Note 8, "Provision For Income Taxes" to the Company's 2013 Annual Report on Form10-K, which incorrectly reported Other comprehensive income as $(12) million.

Differences between the provision for income taxes on earnings from continuing operations and income taxes computed using the U.S. Federal statutory income tax rate follow:

	For years ended December 31,		
(Dollars in millions)	2014	2013	2012
Amount computed using the statutory rate	$ 345	$ 587	$ 226
State income taxes, net	4	30	8
Foreign rate variance	(105)	(55)	(12)
Domestic manufacturing deduction	(6)	(17)	(12)
Change in reserves for tax contingencies	(6)	(16)	(12)
General business credits	(8)	(6)	—
Other	11	(16)	8
Provision for income taxes	$ 235	$ 507	$ 206

The 2014 effective tax rate of 24 percent reflects continued benefit from the integration of Eastman and Solutia business operations and legal entity structures. The 2014 effective tax rate also reflects the benefit from the one-year extension of favorable U.S. Federal tax provisions in December 2014, which resulted in a net benefit of $15 million primarily related to R&D credits described below and deferral of certain earnings of foreign subsidiaries from U.S. income taxes.

The 2013 effective tax rate of 30 percent reflected the positive impacts of integrating the Eastman and Solutia business operations and legal entity structures, a $14 million tax benefit primarily due to adjustments to the tax provision to reflect the finalization of the 2012 consolidated U.S. Federal income tax return, a $14 million benefit for the finalization of foreign tax audits, and the enactment of the American Taxpayer Relief Act of 2012 in January 2013 which resulted in a $10 million benefit primarily related to an R&D tax credit.

The 2012 effective tax rate of 32 percent reflected a $12 million tax benefit for favorable audit settlements and the expiration of the relevant statute of limitations, a $9 million tax benefit for additional state tax credits, and a $5 million tax charge for nondeductible transaction costs.

The significant components of deferred tax assets and liabilities follow:

	December 31,	
(Dollars in millions)	2014	2013
Deferred tax assets		
Post-employment obligations	$ 529	$ 502
Net operating loss carryforwards	470	573
Tax credit carryforwards	239	224
Environmental reserves	123	133
Unrealized derivative loss	165	24
Other	294	186
Total deferred tax assets	1,820	1,642
Less valuation allowance	(264)	(204)
Deferred tax assets less valuation allowance	$ 1,556	$ 1,438
Deferred tax liabilities		
Depreciation	$ (1,144)	$ (992)
Amortization	(1,001)	(631)
Other	(158)	(110)
Total deferred tax liabilities	$ (2,303)	$ (1,733)
Net deferred tax liabilities	$ (747)	$ (295)
As recorded in the Consolidated Statements of Financial Position:		
Other current assets	$ 177	$ 196
Other noncurrent assets	28	7
Payables and other current liabilities	(6)	(2)
Deferred income tax liabilities	(946)	(496)
Net deferred tax liabilities	$ (747)	$ (295)

Unremitted earnings of subsidiaries outside the United States, considered to be reinvested indefinitely, totaled approximately $1.6 billion at December 31, 2014. It is not practicable to determine the deferred tax liability for temporary differences related to those unremitted earnings.

For certain consolidated foreign subsidiaries, income and losses directly flow through to taxable income in the United States. These entities are also subject to taxation in the foreign tax jurisdictions. Net operating loss carryforwards exist to offset future taxable income in foreign tax jurisdictions and valuation allowances are provided to reduce deferred related tax assets if it is more likely than not that this benefit will not be realized. Changes in the estimated realizable amount of deferred tax assets associated with net operating losses for these entities could result in changes in the deferred tax asset valuation allowance in the foreign tax jurisdiction. At the same time, because these entities are also subject to tax in the United States, a deferred tax liability for the expected future taxable income will be established concurrently. Therefore, the impact of any reversal of valuation allowances on consolidated income tax expense will be only to the extent that there are differences between the United States statutory tax rate and the tax rate in the foreign jurisdiction. A valuation allowance of $26 million at December 31, 2014, has been provided against the deferred tax asset resulting from these operating loss carryforwards.

At December 31, 2014, foreign net operating loss carryforwards totaled $640 million. Of this total, $122 million will expire in 3 to 20 years; and $518 million have no expiration date. A valuation allowance of approximately $130 million has been provided against such net operating loss carryforwards.

At December 31, 2014, federal net operating loss carryforwards of $714 million were available to offset future taxable income, which expire from 2026 to 2031. At December 31, 2014, foreign tax credit carryforwards of approximately $185 million were available to reduce possible future U.S. income taxes and which expire from 2018 to 2024.

A full valuation allowance of $50 million has been provided against the U.S. deferred tax assets for the capital loss carryforward and a partial valuation allowance of $53 million has been provided for Solutia's state net operating loss carryforwards. The valuation allowance will be retained until there is sufficient positive evidence to conclude that it is more likely than not that the deferred tax assets will be realized or the related statute expires.

As a result of the Solutia acquisition transaction, Solutia realized a change of ownership for purposes of Section 382 of the Internal Revenue Code. Management does not currently expect this change to significantly limit the Company's ability to utilize Solutia's U.S. net operating loss or foreign tax credit carryforwards estimated to be approximately $685 million and $180 million, respectively, at December 31, 2014.

Amounts due to and from tax authorities as recorded in the Consolidated Statements of Financial Position:

(Dollars in millions)	December 31, 2014	December 31, 2013
Miscellaneous receivables	$ 97	$ 46
Payables and other current liabilities	$ 23	$ 35
Other long-term liabilities	24	53
Total income taxes payable	$ 47	$ 88

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

(Dollars in millions)	2014	2013	2012
Balance at January 1	$ 51	$ 65	$ 10
Additions based on tax positions related to current year	—	—	—
Additions based on acquisitions	72	—	67
Lapse of statute of limitations	(6)	—	(5)
Settlements	—	(14)	(7)
Balance at December 31	$ 117	$ 51	$ 65

As of December 31, 2014, 2013, and 2012, $117 million, $51 million, and $65 million, respectively, of unrecognized tax benefits would, if recognized, impact the Company's effective tax rate.

Interest, net of tax, related to unrecognized tax benefits is recorded as a component of income tax expense. As of January 1, 2014, the Company had accrued a liability of $4 million for interest, net of tax, and had $3 million for tax penalties, net of tax benefit. During 2014, the Company recognized $1 million of expense for interest, net of tax, and no penalties associated with unrecognized tax benefits, offset by $1 million of income for interest, net of tax, associated with expiration of statute of limitations. At December 31, 2014, the Company had accrued balances of $4 million for interest, net of tax benefit, and $3 million for penalties, net of tax benefit.

As of January 1, 2013, the Company had accrued a liability of approximately $5 million for interest, net of tax, and had $3 million for tax penalties, net of tax benefit. During 2013, the Company recognized $1 million of expense for interest, net of tax, and no penalties associated with unrecognized tax benefits, offset by $2 million of income for interest, net of tax, associated with favorable audit settlements. At December 31, 2013, the Company had accrued balances of $4 million for interest, net of tax benefit, and $3 million for penalties, net of tax benefit.

The Company files income tax returns in the United States and various state and foreign jurisdictions. The Company is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2011 and 2002 for Eastman and Solutia, respectively. With few exceptions, Eastman is no longer subject to state and local income tax examinations by tax authorities for years before 2009. Solutia, Inc. and related subsidiaries are no longer subject to state and local income tax examinations for years before 2002. With few exceptions, the Company is no longer subject to foreign income tax examinations by tax authorities for tax years before 2006.

It is reasonably possible that, within the next twelve months, as a result of the resolution of federal, state, and foreign examinations and appeals, and the expiration of various statutes of limitation, unrecognized tax benefits will decrease by a range of $0 to $17 million.

9. BORROWINGS

(Dollars in millions)	December 31, 2014	December 31, 2013
Borrowings consisted of:		
3% notes due 2015	$ 250	$ 250
2.4% notes due 2017	998	998
6.30% notes due 2018	169	171
5.5% notes due 2019	250	250
2.7% notes due 2020	798	—
4.5% notes due 2021	250	250
3.6% notes due 2022	903	894
7 1/4% debentures due 2024	244	243
7 5/8% debentures due 2024	54	54
3.8% notes due 2025	796	—
7.60% debentures due 2027	222	222
4.8% notes due 2042	497	497
4.65% notes due 2044	877	—
Credit facility borrowings and commercial paper borrowings	1,235	425
Capital leases	6	—
Total borrowings	7,549	4,254
Borrowings due within one year	301	—
Long-term borrowings	$ 7,248	$ 4,254

On November 20, 2014, the Company issued public debt securities consisting of 2.7% notes due 2020 in the principal amount of $800 million, 3.8% notes due 2025 in the principal amount of $800 million, and 4.65% notes due 2044 in the principal amount of $400 million. Proceeds from these borrowings were used to pay a part of the purchase price for the acquisition of Taminco, including the repayment of outstanding Taminco borrowings and a portion of acquisition fees and expenses. Proceeds from the sale of the notes, net of original issue discounts, issuance costs, and the monetization of interest rate swaps, was $1.96 billion.

On May 15, 2014, the Company issued public debt securities consisting of 4.65% notes due 2044 in the principal amount of $500 million. Proceeds from the sale of the notes, net of transaction costs, were $490 million.

On June 5, 2012, the Company issued public debt securities consisting of 2.4% notes due 2017 in the principal amount of $1.0 billion, 3.6% notes due 2022 in the principal amount of $900 million, and 4.8% notes due 2042 in the principal amount of $500 million. Proceeds from the sale of the notes, net of original issue discounts, issuance costs, and the monetization of interest rate swaps, were $2.3 billion. Proceeds from these borrowings were used to pay, in part, the cash portion of the purchase price to complete the Solutia acquisition, repay Solutia debt, and pay acquisition costs.

Credit Facility and Commercial Paper Borrowings

On October 9, 2014, Eastman entered into a $1.0 billion five-year Term Loan Agreement. The Company borrowed the entire amount under the Term Loan Agreement on December 5, 2014. Borrowings under the Term Loan Agreement were used to pay a part of the purchase price for the acquisition of Taminco, which included the repayment of outstanding borrowings of Taminco, and a portion of the acquisition fees and expenses. As of December 31, 2014, the Term Loan Agreement balance outstanding was $1.0 billion with an interest rate of 1.41 percent. Borrowings under the Term Loan Agreement are subject to interest at varying spreads above quoted market rates.

In addition, on October 9, 2014, Eastman entered into a $1.75 billion Senior Bridge Loan Credit Agreement (the "Bridge Loan Agreement"). The Bridge Loan Agreement remained undrawn and was terminated following receipt of proceeds from the public sale of debt securities on November 20, 2014.

In October 2014, the Company entered into a $1.25 billion revolving credit agreement (the "Credit Facility") expiring October 2019. The Credit Facility amends and extends, and has terms substantially similar to, the $1.0 billion revolving credit agreement entered into in October 2013. Borrowings under the Credit Facility are subject to interest at varying spreads above quoted market rates and a commitment fee is paid on the total unused commitment. At December 31, 2014 and December 31, 2013, the Company had no outstanding borrowings under the Credit Facility.

The Credit Facility provides liquidity support for commercial paper borrowings and general corporate purposes. Accordingly, any outstanding commercial paper borrowings reduce capacity for borrowings available under the Credit Facility. Given the expiration date of the Credit Facility, any commercial paper borrowings supported by the Credit Facility are classified as long-term borrowings because the Company has the ability and intent to refinance such borrowings on a long-term basis. At December 31, 2014 the Company's commercial paper borrowings were $235 million with a weighted average interest rate of 0.47 percent. At December 31, 2013 the Company's commercial paper borrowings were $425 million with a weighted average interest rate of 0.35 percent.

In August 2014, the Company amended a $250 million line of credit under its accounts receivable securitization agreement (the "A/R Facility"), extending the maturity to April 2017. The amended A/R Facility has terms substantially similar to the $250 million accounts receivable securitization agreement previously expiring in April 2016. Borrowings under the A/R Facility are subject to interest rates based on a spread over the lender's borrowing costs, and the Company pays a fee to maintain availability of the A/R Facility. At December 31, 2014 and December 31, 2013 the Company had no outstanding borrowings under the A/R Facility. During first quarter 2014, $125 million of the available amount under the A/R Facility was borrowed and then repaid during second quarter 2014.

The Term Loan Agreement, Credit Facility, and the A/R Facility contain a number of customary covenants and events of default, including the maintenance of certain financial ratios. The Company was in compliance with all such covenants for all periods presented. Total available borrowings under the Credit Facility and A/R Facility were $1,265 million and $825 million as of December 31, 2014 and December 31, 2013, respectively. The Company would not violate applicable covenants for these periods if the total available amounts of the facilities had been borrowed.

Fair Value of Borrowings

The Company has classified its long-term borrowings at December 31, 2014 and December 31, 2013 under the fair value hierarchy as defined in the accounting policies in Note 1, "Significant Accounting Policies". The fair value for fixed-rate borrowings is based on current market prices and is classified in Level 1. The fair value for the Company's floating-rate borrowings, which relate to the Term Loan Agreement, the A/R Facility, commercial paper, and capital leases, equals the carrying value and is classified within Level 2.

		Fair Value Measurements at December 31, 2014			
(Dollars in millions)	Recorded Amount December 31, 2014	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term borrowings	$ 7,248	$ 7,557	$ 6,366	$ 1,191	$ —

		Fair Value Measurements at December 31, 2013			
(Dollars in millions)	Recorded Amount December 31, 2013	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term borrowings	$ 4,254	$ 4,366	$ 3,941	$ 425	$ —

10. DERIVATIVES

Hedging Programs

The Company is exposed to market risks, such as changes in foreign currency exchange rates, commodity prices, and interest rates. To mitigate these market risk factors and their effects on the cash flows of the underlying transaction, the Company uses various derivative financial instruments when appropriate in accordance with the Company's hedging strategy and policies. Designation is performed on a specific exposure basis to support hedge accounting. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the anticipated cash flows of the underlying exposures being hedged. The Company does not enter into derivative transactions for speculative purposes.

In 2014, the Company implemented changes to its risk management framework that included changes in the horizon over which commodity related market risks are managed. Beginning in third quarter 2014, the period over which the Company hedges commodity price risks using derivative financial instruments was increased from a maximum of three years to a maximum of five years beyond its current fiscal year. The Company weights its hedge portfolio more heavily in the first year with declining coverage over the remaining periods.

Fair Value Hedges

Fair value hedges are defined as derivative or non-derivative instruments designated as and used to hedge the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk. For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. In 2014, the Company entered into interest rate swaps to hedge the interest rate risk on the 3.6% notes due 2022. As of December 31, 2014, the total notional amount of the Company's interest rate swaps was $275 million. As of December 31, 2013, the Company had no fair value hedges.

Fair Value Measurement of Derivatives Designated as Fair Value Hedging Instruments

(Dollars in millions)		Fair Value Measurement	
Derivative Assets	**Statement of Financial Position Location**	**December 31, 2014**	**December 31, 2013**
Interest rate swap	Other noncurrent assets	$ 5	$ —

Derivatives' Fair Value Hedging Relationships

(Dollars in millions)		Twelve Months Ended	
		Amount of Gain/ (Loss) Recognized in Income on Derivatives	
Derivatives in Fair Value Hedging Relationships	**Consolidated Statement of Earnings Location of Gain/(Loss) Recognized in Income on Derivatives**	**December 31, 2014**	**December 31, 2013**
Interest rate swaps	Net interest expense	$ 6	$ —

Cash Flow Hedges

Cash flow hedges are derivative instruments designated as and used to hedge the exposure to variability in expected future cash flows that is attributable to a particular risk. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income, net of income taxes and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Foreign Currency Exchange Rate Hedging

The Company manufactures and sells its products in a number of countries throughout the world and, as a result, is exposed to changes in foreign currency exchange rates. To manage the volatility relating to these exposures, the Company nets the exposures on a consolidated basis to take advantage of natural offsets. To manage the remaining exposure, the Company enters into currency options and forwards from time to time to hedge probable anticipated, but not yet committed, export sales and purchase transactions expected within no longer than five years and denominated in foreign currencies (principally the euro and Japanese yen) and forward exchange contracts to hedge certain firm commitments denominated in foreign currencies. These contracts are designated as cash flow hedges. The MTM gains or losses on qualifying hedges are included in accumulated other comprehensive income (loss) to the extent effective, and reclassified into sales in the period during which the hedged transaction affects earnings.

Commodity Hedging

Certain raw material and energy sources used by the Company, as well as sales of certain commodity products by the Company, are subject to price volatility caused by weather, supply and demand conditions, economic variables and other unpredictable factors. These commodity and energy costs are primarily related to propane, ethane, natural gas, paraxylene, ethylene, and benzene. From time to time to mitigate expected fluctuations in market prices, the Company enters into option and forward contracts. These contracts are designated as cash flow hedges. The MTM gains or losses on qualifying hedges are included in accumulated other comprehensive income (loss) to the extent effective, and reclassified into cost of sales (for commodity purchases) and sales (for commodity sales) in the period during which the hedged transaction affects earnings.

Interest Rate Hedging

The Company's policy is to manage interest expense using a mix of fixed and variable rate debt. To manage this mix effectively, the Company from time to time enters into interest rate swaps in which the Company agrees to exchange the difference between fixed and variable interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated as hedges of the fair value of the underlying debt obligations and the interest rate differential is reflected as an adjustment to interest expense over the life of the swaps. As these instruments are 100 percent effective, there is no impact on earnings due to hedge ineffectiveness.

From time to time, the Company also utilizes interest rate derivative instruments, primarily forward starting swaps and Treasury locks, to hedge the Company's exposure to movements in interest rates prior to anticipated debt offerings. These instruments are designated as cash flow hedges and are typically 100 percent effective. As a result, there is no current impact on earnings due to hedge ineffectiveness.

The MTM gains or losses on these hedges are included in accumulated other comprehensive income (loss) to the extent effective, and are reclassified into interest expense over the term of the related debt instruments.

Total notional amounts:	**December 31, 2014**	**December 31, 2013**
Foreign Exchange Forward and Option Contracts (in millions)		
EUR/USD (in EUR)	€810	€954
EUR/USD (in approximate USD equivalent)	$1,000	$1,320
JPY/USD (in JPY)	¥4,800	¥8,300
JPY/USD (in approximate USD equivalent)	$40	$80
Commodity Forward and Collar Contracts		
Contract ethylene sales (in thousand metric tons)	14	—
Feedstock (in million barrels)	33	8
Feedstock (in thousand metric tons)	30	—
Energy (in million million british thermal units)	25	—
Interest rate swaps for the future issuance of debt (in millions)	$500	—

Fair Value Measurement of Derivatives Designated as Cash Flow Hedging Instruments

(Dollars in millions)		Fair Value Measurements	
Derivative Assets	Statement of Financial Position Location	December 31, 2014	December 31, 2013
Commodity contracts	Other current assets	$ 2	$ 20
Commodity contracts	Other noncurrent assets	—	7
Foreign exchange contracts	Other current assets	61	17
Foreign exchange contracts	Other noncurrent assets	71	14
		$ 134	$ 58

(Dollars in millions)		Fair Value Measurements	
Derivative Liabilities	Statement of Financial Position Location	December 31, 2014	December 31, 2013
Commodity contracts	Payables and other current liabilities	$ 193	$ —
Commodity contracts	Other long-term liabilities	289	—
Foreign exchange contracts	Payables and other current liabilities	10	21
Foreign exchange contracts	Other long-term liabilities	—	25
Forward starting interest rate swap contracts	Other long-term liabilities	16	—
		$ 508	$ 46

Derivatives' Hedging Relationships

(Dollars in millions)	Change in amount of after tax gain/ (loss) recognized in Other Comprehensive Income on Derivatives (effective portion)		Location of gain/(loss) reclassified from Accumulated Other Comprehensive Income into Income (effective portion)	Pre-tax amount of gain/(loss) reclassified from Accumulated Other Comprehensive Income into Income (effective portion)	
Derivatives' Cash Flow Hedging Relationships	December 31, 2014	December 31, 2013		December 31, 2014	December 31, 2013
Commodity contracts	$ (312)	$ 20	Sales	$ 1	$ (14)
			Cost of sales	(7)	14
Foreign exchange contracts	85	(18)	Sales	14	6
Forward starting interest rate swap contracts	(3)	5	Interest Expense	(8)	(8)
	$ (230)	$ 7		$ —	$ (2)

Hedging Summary

At December 31, 2014 and 2013, pre-tax monetized positions and MTM gains and losses from raw materials and energy, currency, and certain interest rate hedges that were included in accumulated other comprehensive income totaled approximately $432 million in losses and $62 million in losses, respectively. Losses increased in 2014 compared to 2013 as a result of a sharp decline in commodity prices, particularly propane, partially offset by increased gains resulting from a weaker Euro and Japanese Yen. Included in 2014 and 2013 were losses on settlement of forward starting interest rate swaps related to the issuance of debt for the Solutia acquisition. If realized, approximately $144 million in pre-tax losses will be reclassified into earnings during the next 12 months. Ineffective portions of hedges are immediately recognized in cost of sales or other (income) charges, net. In 2014, the Company recognized $6 million in pre-tax losses for ineffectiveness on the commodity hedging portfolio. There were no gains or losses related to the ineffective portion of hedges recognized in 2013.

The gains or losses on nonqualifying derivatives or derivatives that are not designated as hedges are marked to market in the line item "Other (income) charges, net" of the Consolidated Statements of Earnings, and, in all periods presented, represent foreign exchange derivatives denominated in multiple currencies and are transacted and settled in the same quarter. The Company recognized approximately $3 million net loss and $4 million net gain on nonqualifying derivatives during 2014 and 2013, respectively. The Company had no nonqualifying derivatives or derivatives that are not designated as hedges as of December 31, 2014 and December 31, 2013.

Fair Value Measurements

For additional information on fair value measurement, see Note 1, "Significant Accounting Policies".

The following chart shows the financial assets and liabilities valued on a recurring basis and a gross basis.

(Dollars in millions)		Fair Value Measurements at December 31, 2014		
Description	**December 31, 2014**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Derivative Assets	$ 139	$ —	$ 137	$ 2
Derivative Liabilities	(508)	—	(508)	—
	$ (369)	$ —	$ (371)	$ 2

(Dollars in millions)		Fair Value Measurements at December 31, 2013		
Description	**December 31, 2013**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Derivative Assets	$ 58	$ —	$ 58	$ —
Derivative Liabilities	(46)	—	(46)	—
	$ 12	$ —	$ 12	$ —

The majority of the Company's derivative assets are classified as Level 2. Level 2 fair value is based on estimates using standard pricing models. These standard pricing models use inputs which are derived from or corroborated by observable market data such as interest rate yield curves and currency spot and forward rates. The fair value of commodity contracts is derived using forward curves supplied by an industry recognized and unrelated third party. In addition, on an ongoing basis, the Company tests a subset of its valuations against valuations received from the transaction's counterparty to validate the accuracy of its standard pricing models. Counterparties to these derivative contracts are highly rated financial institutions which the Company believes carry minimal risk of nonperformance.

From time to time, the Company holds Level 3 assets for commodity hedges. The fair values of Level 3 instruments are determined using pricing data similar to that used in Level 2 financial instruments described above, and reflect adjustments for less liquid markets or longer contractual terms. Level 3 hedges typically will mature within one year or less. The Company determines the fair value of Level 3 ethylene derivative forward contracts using an average of unadjusted forward ethylene prices provided by industry recognized experts to value its ethylene positions.

The table below presents a rollforward of activity for these assets for the period ended December 31, 2014 and December 31, 2013:

Fair Value Measurements Using Level 3 Inputs
Commodity Contracts

(Dollars in millions)	December 31, 2014	2013
Beginning balance at January 1	$ —	$ (5)
Realized gain (loss) in sales revenue	1	(14)
Change in unrealized gain (loss) in Other Comprehensive Income	2	5
Purchases, sales and settlements	(1)	14
Transfers (out) in of Level 3	—	—
Ending balance at December 31	$ 2	$ —

All of the Company's derivative contracts are subject to master netting arrangements, or similar agreements, which provide for the option to settle contracts on a net basis when they settle on the same day and in the same currency. In addition, these arrangements provide for a net settlement of all contracts with a given counterparty in the event that the arrangement is terminated due to the occurrence of default or a termination event. The Company has elected to present the derivative contracts on a gross basis in the Consolidated Statements of Financial Position. Had it chosen to present the derivatives contracts on a net basis, it would have a derivative in a net asset position of $129 million and a derivative in a net liability position of $498 million as of December 31, 2014. The Company does not have any cash collateral due under such agreements.

11. RETIREMENT PLANS

As described in more detail below, Eastman offers various postretirement benefits to its employees.

Defined Contribution Plans

The Company sponsors a defined contribution employee stock ownership plan (the "ESOP"), which is a component of the Eastman Investment Plan and Employee Stock Ownership Plan ("EIP/ESOP"), a plan under Section 401(a) of the Internal Revenue Code. Eastman made a contribution in February 2015 to the EIP/ESOP for substantially all U.S. employees equal to 5 percent of their eligible compensation for the 2014 plan year. Employees may allocate contributions to other investment funds within the EIP from the ESOP at any time without restrictions. Allocated shares in the ESOP totaled 2,197,740; 2,289,618; and 2,410,806 shares as of December 31, 2014, 2013, and 2012, respectively. Dividends on shares held by the EIP/ESOP are charged to retained earnings. All shares held by the EIP/ESOP are treated as outstanding in computing earnings per share.

In 2006, the Company amended its EIP/ESOP to provide a Company match of 50 percent of the first 7 percent of an employee's compensation contributed to the plan for employees who are hired on or after January 1, 2007. Employees who are hired on or after January 1, 2007, are also eligible for the contribution to the ESOP as described above.

Charges for domestic contributions to the EIP/ESOP were $56 million, $43 million, and $40 million for 2014, 2013, and 2012, respectively.

Defined Benefit Pension Plans and Other Postretirement Benefit Plans

Pension Plans

Eastman maintains defined benefit pension plans that provide eligible employees with retirement benefits.

Effective January 1, 2000, the Company's Eastman Retirement Assistance Plan, a U.S. defined benefit pension plan, was amended. Employees' accrued pension benefits earned prior to January 1, 2000 are calculated based on previous plan provisions using the employee's age, years of service, and final average compensation as defined in the plans. The amended plan uses a pension equity formula to calculate an employee's retirement benefits from January 1, 2000 forward. Benefits payable will be the combined pre-2000 and post-1999 benefits. Employees hired on or after January 1, 2007 are not eligible to participate in Eastman's U.S. defined benefit pension plans.

In December 2014, as part of its acquisition of Taminco, the Company assumed Taminco's non-U.S. defined benefit pension plans in Belgium and Finland. For more information on this acquisition, see Note 2, "Acquisitions".

In July 2012, as part of its acquisition of Solutia, the Company assumed Solutia's U.S. and non-U.S. defined benefit pension plans. Prior to the acquisition, the U.S. plans had been closed to new participants and were no longer accruing additional benefits. For more information on these acquisitions, see Note 2, "Acquisitions".

Benefits are paid to employees from trust funds. Contributions to the trust funds are made as permitted by laws and regulations. The pension trust funds do not directly own any of the Company's common stock.

Pension coverage for employees of Eastman's non-U.S. operations is provided, to the extent deemed appropriate, through separate plans. The Company systematically provides for obligations under such plans by depositing funds with trustees, under insurance policies, or by book reserves.

Other Postretirement Benefit Plans

Under its other postretirement benefit plans, Eastman provides a subsidy for life insurance, health care, and dental benefits to eligible retirees hired prior to January 1, 2007, and a subsidy for health care and dental benefits to retirees' eligible survivors. In general, Eastman provides those benefits to retirees eligible under the Company's U.S. plans. Similar benefits are also made available to retirees of Holston Defense Corporation, a wholly-owned subsidiary of the Company that, prior to January 1, 1999, operated a government-owned ammunition plant.

Employees in the U.S. hired on or after January 1, 2007 do not have access to postretirement health care benefits. A few of the Company's non-U.S. operations have supplemental health benefit plans for certain retirees, the cost of which is not significant to the Company.

In December 2014, as part of its acquisition of Taminco, the Company assumed Taminco's U.S. postretirement benefit plan. For more information on this acquisition, see Note 2, "Acquisitions".

In July 2012, as part of its acquisition of Solutia, the Company assumed Solutia's postretirement benefit plans which included a voluntary employees' beneficiary association ("VEBA") retiree trust. For more information on this acquisition, see Note 2, "Acquisitions".

Below is a summary balance sheet of the change in plan assets during 2014 and 2013, the funded status of the plans, amounts recognized in the Consolidated Statements of Financial Position, and a summary of amounts recognized in accumulated other comprehensive income.

Summary of Changes

	Pension Plans				Postretirement Benefit Plans	
	2014		2013		2014	2013
(Dollars in millions)	U.S.	Non-U.S.	U.S.	Non-U.S.		
Change in projected benefit obligation:						
Benefit obligation, beginning of year	$ 2,236	$ 736	$ 2,466	$ 672	$ 962	$ 1,140
Service cost	40	14	43	14	8	11
Interest cost	100	31	89	27	45	44
Actuarial (gain) loss	174	149	(184)	22	49	(123)
Curtailment gain	—	—	—	(1)	—	—
Settlement	—	(18)	—	—	—	—
Acquisitions	—	48	—	—	4	—
Plan amendments and other	—	—	—	—	1	(47)
Plan participants' contributions	—	2	—	2	18	20
Effect of currency exchange	—	(73)	—	20	—	(1)
Federal subsidy on benefits paid	—	—	—	—	1	1
Benefits paid	(194)	(22)	(178)	(20)	(74)	(83)
Benefit obligation, end of year	$ 2,356	$ 867	$ 2,236	$ 736	$ 1,014	$ 962
Change in plan assets:						
Fair value of plan assets, beginning of year	$ 1,887	$ 658	$ 1,702	$ 596	$ 179	$ 210
Actual return on plan assets	151	92	239	39	16	7
Effect of currency exchange	—	(60)	—	17	—	—
Company contributions	124	22	124	24	38	40
Reserve for third party contributions	—	—	—	—	(3)	(16)
Plan participants' contributions	—	2	—	2	18	20
Benefits paid	(194)	(22)	(178)	(20)	(74)	(83)
Federal subsidy on benefits paid	—	—	—	—	1	1
Settlements	—	(18)	—	—	—	—
Other	—	—	—	—	1	—
Acquisitions	—	25	—	—	—	—
Fair value of plan assets, end of year	$ 1,968	$ 699	$ 1,887	$ 658	$ 176	$ 179
Funded status at end of year	$ (388)	$ (168)	$ (349)	$ (78)	$ (838)	$ (783)
Amounts recognized in the Consolidated Statements of Financial Position consist of:						
Other noncurrent assets	$ 4	$ 4	$ —	$ 7	$ 13	$ 3
Current liabilities	(2)	(1)	(3)	(1)	(41)	(41)
Post-employment obligations	(390)	(171)	(346)	(84)	(810)	(745)
Net amount recognized, end of year	$ (388)	$ (168)	$ (349)	$ (78)	$ (838)	$ (783)
Accumulated benefit obligation	$ 2,254	$ 781	$ 2,123	$ 678		
Amounts recognized in accumulated other comprehensive income consist of:						
Prior service credit	$ (14)	$ (1)	$ (18)	$ —	$ (84)	$ (108)

The change in projected benefit obligation and change in net assets in 2014 reflect the impact of the defined benefit pension plans and the other postretirement benefit plan assumed in the Taminco acquisition, described in Note 2, "Acquisitions".

Information for pension plans with projected benefit obligations in excess of plan assets:

(Dollars in millions)	2014		2013	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Projected benefit obligation	$ 1,973	$ 745	$ 2,236	$ 618
Fair value of plan assets	1,581	573	1,887	533

Information for pension plans with accumulated benefit obligation in excess of plan assets:

(Dollars in millions)	2014		2013	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Projected benefit obligation	$ 1,973	$ 711	$ 2,236	$ 398
Accumulated benefit obligation	1,870	640	2,123	373
Fair value of plan assets	1,581	541	1,887	324

Components of net periodic benefit cost were as follows:

Summary of Benefit Costs and Other Amounts Recognized in Other Comprehensive Income

	Pension Plans						Postretirement Benefit Plans		
	2014		2013		2012		2014	2013	2012
(Dollars in millions)	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.			
Components of net periodic benefit cost:									
Service cost	$ 40	$ 14	$ 43	$ 14	$ 40	$ 8	$ 8	$ 11	$ 10
Interest cost	100	31	89	27	86	19	45	44	45
Expected return on assets	(143)	(38)	(129)	(35)	(103)	(24)	(7)	(7)	(5)
Curtailment gain	—	—	—	(1)	—	—	—	—	—
Amortization of:									
Prior service cost (credit)	(4)	—	(4)	—	(4)	—	(24)	(22)	(19)
Mark-to-market pension and other postretirement benefits (gain) loss	166	95	(294)	18	128	58	43	(107)	90
Net periodic benefit cost	$ 159	$ 102	$ (295)	$ 23	$ 147	$ 61	$ 65	$ (81)	$ 121
Other changes in plan assets and benefit obligations recognized in other comprehensive income:									
Current year prior service credit	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 47	$ 3
Amortization of:									
Prior service cost (credit)	(4)	—	(4)	—	(4)	—	(24)	(22)	(19)
Total	$ (4)	$ —	$ (4)	$ —	$ (4)	$ —	$ (24)	$ 25	$ (16)

In third quarter 2013, the Company changed life insurance benefits provided to future retirees by the Eastman other postretirement benefit plan which triggered an interim remeasurement of this other postretirement benefit plan obligation. The remeasurement resulted in a reduction in the accumulated postretirement benefit obligation of approximately $47 million which will be amortized as a prior service credit from Accumulated Other Comprehensive Income over 8 years. The remeasurement of the plan also resulted in a mark-to-market actuarial gain of $86 million in third quarter 2013. The actuarial gain was primarily due to a higher assumed discount rate of 4.72 percent in third quarter 2013 compared to 4.01 percent at December 31, 2012. The higher assumed discount rate is reflective of changes in global market conditions and interest rates on high-grade corporate bonds.

The estimated prior service credit for the U.S. pension and other postretirement benefit plans that will be amortized from Accumulated Other Comprehensive Income into net periodic cost in 2015 is $4 million and $24 million, respectively.

The assumptions used to develop the projected benefit obligation for the Company's significant U.S. and non-U.S. defined benefit pension plans and U.S. postretirement benefit plans are provided in the following tables.

	Pension Plans						Postretirement Benefit Plans		
Weighted-average assumptions used to determine benefit obligations for years ended December 31:	**2014**		**2013**		**2012**		**2014**	**2013**	**2012**
	U.S.	**Non-U.S.**	**U.S.**	**Non-U.S.**	**U.S.**	**Non-U.S.**			
Discount rate	3.80%	3.10%	4.59%	4.18%	3.72%	4.16%	3.91%	4.75%	3.91%
Rate of compensation increase	3.50%	3.24%	3.50%	3.49%	3.50%	3.49%	3.50%	3.50%	3.50%
Health care cost trend									
Initial							7.50%	8.00%	8.00%
Decreasing to ultimate trend of							5.00%	5.00%	5.00%
in year							2020	2020	2019
Weighted-average assumptions used to determine net periodic cost for years ended December 31:	**2014**		**2013**		**2012**		**2014**	**2013**	**2012**
	U.S.	**Non-U.S.**	**U.S.**	**Non-U.S.**	**U.S.**	**Non-U.S.**			
Discount rate	4.59%	4.18%	3.72%	4.16%	4.50%	5.06%	4.75%	3.91%	4.73%
Expected return on assets	7.83%	5.78%	7.98%	5.90%	8.12%	6.17%	3.75%	3.75%	3.75%
Rate of compensation increase	3.50%	3.49%	3.50%	3.49%	3.50%	3.65%	3.50%	3.50%	3.50%
Health care cost trend									
Initial							8.00%	8.00%	8.00%
Decreasing to ultimate trend of							5.00%	5.00%	5.00%
in year							2020	2019	2018

A seven and one-half percent rate of increase in per capita cost of covered health care benefits is assumed for 2015. The rate is assumed to decrease gradually to five percent in 2020 and remain at that level thereafter. A one percent increase or decrease in health care cost trend would have had no material impact on the 2014 service and interest costs or the 2014 benefit obligation, because the Company's contributions for benefits are fixed.

The Company performed a five year experience study on assumptions for the U.S. plans in 2014 which included a review of the mortality tables. The Company uses the RP-2000 table with scale AA static improvement scale and no collar adjustment. As a result of the study, the Company will not change to the recently published RP-2014 table as the current RP-2000 table with scale AA more closely aligns with the Company's experience.

The fair value of plan assets for the U.S. pension plans at December 31, 2014 and 2013 was $2.0 billion and $1.9 billion, respectively, while the fair value of plan assets at December 31, 2014 and 2013 for non-U.S. pension plans was $699 million and $658 million, respectively. At December 31, 2014 and 2013, the expected weighted-average long-term rate of return on U.S pension plan assets was 7.78 percent and 7.83 percent, respectively. The expected weighted-average long-term rate of return on non-U.S. pension plans assets was 5.50 percent and 5.78 percent at December 31, 2014 and 2013, respectively.

The following charts reflect the fair value of the defined benefit pension plans assets as of December 31, 2014 and 2013.

(Dollars in millions)

Description	December 31, 2014		Fair Value Measurements at December 31, 2014 Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
Pension Assets:	**U.S.**	**Non-U.S.**	**U.S.**	**Non-U.S.**	**U.S.**	**Non-U.S.**	**U.S.**	**Non-U.S.**
Cash & Cash Equivalents [1]	$ 77	$ 19	$ 77	$ 19	$ —	$ —	$ —	$ —
Debt [2]:								
Fixed Income (U.S.)	662	11	—	—	662	11	—	—
Fixed Income (Non-U.S.)	—	278	—	—	—	278	—	—
Fixed Income (Global)	—	28	—	—	—	28	—	—
U.S. Treasury Securities	37	—	—	—	37	—	—	—
Public Equity Funds [3]:								
United States	509	31	—	—	509	31	—	—
Non-U.S.	348	48	—	—	348	48	—	—
Global	—	154	—	—	—	154	—	—
Other [4]:								
Private Equity, Real Estate Funds, and Other Alternative Investments	335	82	—	—	—	27	335	55
Multi-Asset Common Collective Trusts	—	48	—	—	—	48	—	—
Total	$ 1,968	$ 699	$ 77	$ 19	$ 1,556	$ 625	$ 335	$ 55

(1) Cash & Cash Equivalents: The carrying amounts of cash and cash equivalents are valued at $1 per unit, which approximates fair value. Amounts are generally invested in actively managed common trust funds or interest bearing accounts.

(2) Debt: The underlying fixed income investments in this category are generally held in common trust funds, which are either actively or passively managed investment vehicles, that are valued at the net asset value per unit/share multiplied by the number of units/shares held as of the measurement date.

(3) Public Equity Funds: The underlying equity investments in this category are generally held in common trust funds, which are either actively or passively managed investment vehicles, that are valued at the net asset value per unit/share multiplied by the number of units/shares held as of the measurement date.

(4) Other: The underlying investments in this category are held in private investment funds. These investments are valued based on the net asset value provided by the management of each private investment fund, adjusted as appropriate, for any lag between the date of the financial reports and the measurement date.

(Dollars in millions)

Description	December 31, 2013		Fair Value Measurements at December 31, 2013: Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
Pension Assets:	**U.S.**	**Non-U.S.**	**U.S.**	**Non-U.S.**	**U.S.**	**Non-U.S.**	**U.S.**	**Non-U.S.**
Cash & Cash Equivalents [1]	$ 36	$ 9	$ 36	$ 9	$ —	$ —	$ —	$ —
Debt [2]:								
Fixed Income (U.S.)	485	4	47	—	438	4	—	—
Fixed Income (Non-U.S.)	—	299	—	—	—	299	—	—
Fixed Income (Global)	—	13	—	—	—	13	—	—
U.S. Treasury Securities	36	—	—	—	36	—	—	—
Public Equity Funds [3]:								
United States	702	48	54	—	648	48	—	—
Non-U.S.	266	93	19	—	247	93	—	—
Non-U.S. Commodities Funds	—	2	—	—	—	2	—	—
Global	—	91	—	—	—	91	—	—
Other [4]:								
Private Equity, Real Estate Funds, and Other Alternative Investments	362	51	—	—	—	24	362	27
Multi-Asset Common Collective Trusts	—	48	—	—	—	48	—	—
Total	$ 1,887	$ 658	$ 156	$ 9	$ 1,369	$ 622	$ 362	$ 27

(1) Cash & Cash Equivalents: The carrying amounts of cash and cash equivalents are valued at $1 per unit, which approximates fair value. Amounts are generally invested in actively managed common trust funds or interest bearing accounts.

(2) Debt: The underlying fixed income investments in this category are generally held in common trust funds, which are either actively or passively managed investment vehicles, that are valued at the net asset value per unit/share multiplied by the number of units/shares held as of the measurement date.

(3) Public Equity Funds: The underlying equity investments in this category are generally held in common trust funds, which are either actively or passively managed investment vehicles, that are valued at the net asset value per unit/share multiplied by the number of units/shares held as of the measurement date.

(4) Other: The underlying investments in this category are held in private investment funds. These investments are valued based on the net asset value provided by the management of each private investment fund, adjusted as appropriate, for any lag between the date of the financial reports and the measurement date.

The following charts reflect the fair value of the postretirement benefit plan assets as of December 31, 2014 and 2013. The postretirement benefit plan is for the VEBA trust the Company assumed as part of the Solutia acquisition.

(Dollars in millions)

		Fair Value Measurements at December 31, 2014		
Description	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Postretirement Benefit Plan Assets:				
Cash & Cash Equivalents [1]	$ 6	$ 6	$ —	$ —
Debt [2]:				
Fixed Income (U.S.)	124	—	124	—
Fixed Income (Non-U.S.)	2	—	2	—
U.S. Treasury Securities	1	—	1	—
Total	$ 133	$ 6	$ 127	$ —

(Dollars in millions)

		Fair Value Measurements at December 31, 2013		
Description	December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Postretirement Benefit Plan Assets:				
Cash & Cash Equivalents [1]	$ 12	$ 12	$ —	$ —
Debt [2]:				
Fixed Income (U.S.)	120	—	120	—
Fixed Income (Non-U.S.)	1	—	1	—
U.S. Treasury Securities	1	—	1	—
Total	$ 134	$ 12	$ 122	$ —

(1) Cash & Cash Equivalents: The carrying amounts of cash and cash equivalents are valued at $1 per unit, which approximates fair value. Amounts are generally invested in actively managed common trust funds or interest bearing accounts.

(2) Debt: The underlying fixed income investments in this category are generally held in common trust funds, which are either actively or passively managed investment vehicles, that are valued at the net asset value per unit/share multiplied by the number of units/shares held as of the measurement date.

The Company valued assets with unobservable inputs (Level 3), specifically its alternative investments, investments in private equity and investments in real estate and other funds under the practical expedient method. The practical expedient method allows reporting entities to use the most recently reported net asset value ("NAV") of qualifying investment companies provided it is not probable that the investment will be sold by the reporting entity at an amount different from the most recently reported NAV.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	U.S. Pension Plans				Non-U.S. Pension Plans		
(Dollars in millions)	Private Equity	Real Estate	Other Alternative Investments[1]	Total	Real Estate	Other Alternative Investments[1]	Total
Balance at December 31, 2012	$ 170	$ 119	$ 90	$ 379	$ 5	$ 22	$ 27
Distributions	(31)	(27)	(21)	(79)	—	—	—
Unrealized gains	20	5	6	31	— —	2	2
Purchases, contributions, and other	18	4	9	31	(3)	1	(2)
Balance at December 31, 2013	177	101	84	362	2	25	27
Distributions	(40)	(29)	(17)	(86)	—	—	—
Unrealized gains	18	9	4	31	— —	4	4
Purchases, contributions, and other	21	2	5	28	(2)	26	24
Balance at December 31, 2014	$ 176	$ 83	$ 76	$ 335	$ —	$ 55	$ 55

(1) U.S. primarily consists of natural resource and energy related limited partnership investments. Non-U.S. primarily consists of annuity contracts.

The following chart reflects the target allocation for the Company's U.S. and non-U.S. pension and postretirement benefit plans for 2015 and the asset allocation at December 31, 2014 and 2013, by asset category. The postretirement benefit plan is for the VEBA trust the Company assumed as part of the Solutia acquisition.

	U.S. Pension Plans			Non-U.S. Pension Plans			Postretirement Benefit Plan		
	Target Allocation	Plan Assets at December 31, 2014	Plan Assets at December 31, 2013	Target Allocation	Plan Assets at December 31, 2014	Plan Assets at December 31, 2013	Target Allocation	Plan Assets at December 31, 2014	Plan Assets at December 31, 2013
Asset category									
Equity securities	47%	44%	51%	32%	34%	36%	—%	—%	—%
Debt securities	35%	39%	30%	48%	48%	49%	100%	100%	100%
Real estate	4%	4%	5%	2%	2%	2%	—%	—%	—%
Other investments (1)	14%	13%	14%	18%	16%	13%	—%	—%	—%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

(1) U.S. primarily consists of private equity and natural resource and energy related limited partnership investments. Non-U.S. primarily consists of annuity contracts and alternative investments.

The Company's investment strategy for its defined benefit pension plans is to maximize the long-term rate of return on plan assets within an acceptable level of risk in order to meet or exceed the plan's actuarially assumed long-term rate of return and to minimize the cost of providing pension benefits. A periodic asset/liability study is conducted in order to assist in the determination and, if necessary, modification of the appropriate long-term investment policy for the plan. The investment policy establishes a target allocation range for each asset class and the fund is managed within those ranges. The plans use a number of investment approaches including investments in equity, real estate, and fixed income funds in which the underlying securities are marketable in order to achieve this target allocation. The plans also invest in private equity and other funds. Diversification is created through investment across various asset classes, geographies, fund managers, and individual securities. This investment process provides for a well-diversified portfolio with no significant concentration of risk. The investment process is monitored by an investment committee comprised of various senior executives from within Eastman.

In December 2014, as part of its acquisition of Taminco, the Company assumed Taminco's non-U.S. defined benefit pension plans in Belgium and Finland. The pension plans' assets consist of guaranteed investment contracts with an insurance company.
The Company also assumed Taminco's U.S. postretirement benefit plan which has no plan assets.

In July 2012, as part of its acquisition of Solutia, the Company assumed Solutia's defined benefit pension and other postretirement benefit plans. The Solutia defined benefit pension plans adhere to the Company's defined benefit plan investment strategy. The Solutia defined benefit pension plans also utilize a dynamic de-risking strategy to shift from growth assets to liability matching assets as the plan's funded status improves. The investment strategy with respect to Solutia's other postretirement benefits plan is to invest in an intermediate-term, well diversified, high quality investment instruments, with a primary objective of capital preservation.

The expected rate of return for all plans was determined primarily by modeling the expected long-term rates of return for the categories of investments held by the plans and the targeted allocation percentage against various potential economic scenarios.

The Company funded its U.S. defined benefit pension plans in the amount of $120 million in both 2014 and 2013. For 2015, there are no minimum required cash contributions for the U.S. defined benefit pension plans under the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended.

Benefits expected to be paid from pension plans and benefits, net of participant contributions, expected to be paid for postretirement benefit obligations are as follows:

	Pension Plans		Postretirement Benefit Plans
(Dollars in millions)	U.S.	Non-U.S.	
2015	$ 207	$ 20	$ 60
2016	193	21	60
2017	197	22	59
2018	196	23	60
2019	195	24	61
2020-2024	883	138	311

12. COMMITMENTS

Purchase Obligations and Lease Commitments

The Company had various purchase obligations at December 31, 2014 totaling $2.0 billion over a period of approximately 30 years for materials, supplies, and energy incident to the ordinary conduct of business. The Company also had various lease commitments for property and equipment under cancelable, noncancelable, and month-to-month operating leases totaling approximately $309 million over a period of approximately 45 years. Of the total lease commitments, approximately 50 percent relate to real property, including office space, storage facilities, and land; approximately 40 percent relate to railcars; and approximately 10 percent relate to machinery and equipment, including computer and communications equipment and production equipment. Rental expense, net of sublease income, was $80 million, $73 million, and $61 million in 2014, 2013, and 2012, respectively.

The obligations described above, and long-term debt repayment obligations, are summarized in the following table:

(Dollars in millions)	Payments Due For					
Period	Debt Securities	Credit Facilities and Other	Interest Payable	Purchase Obligations	Operating Leases	Total
2015	$ 250	$ 51	$ 257	$ 256	$ 71	$ 885
2016	—	214	270	261	57	802
2017	998	251	271	238	43	1,801
2018	169	264	237	228	32	930
2019	250	461	220	217	21	1,169
2020 and beyond	4,641	—	2,117	835	85	7,678
Total	$ 6,308	$ 1,241	$ 3,372	$ 2,035	$ 309	$ 13,265

Guarantees

The Company has operating leases with terms that require the Company to guarantee a portion of the residual value of the leased assets upon termination of the lease as well as other guarantees. Disclosures about each group of similar guarantees are provided below.

Residual Value Guarantees

The Company has operating leases with terms that require the Company to guarantee a portion of the residual value of the leased assets upon termination of the lease. These residual value guarantees at December 31, 2014 totaled $121 million and consisted primarily of leases for railcars and Company aircraft and will expire beginning in 2016. Management believes, based on current facts and circumstances, that the likelihood of material residual guarantee payments is remote.

Other Guarantees

Guarantees and claims also arise during the ordinary course of business from relationships with joint venture partners, suppliers, customers, and other parties when the Company undertakes an obligation to guarantee the performance of others, if specified triggering events occur. Non-performance under a contract could trigger an obligation of the Company. The Company's current other guarantees include guarantees relating primarily to intellectual property, environmental matters, and other indemnifications and have arisen through the normal course of business. The ultimate effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to the final outcome of these claims, if they were to occur. These other guarantees have terms between 1 and 30 years with maximum potential future payments of approximately $29 million in the aggregate, with none of these guarantees individually significant to the Company's operating results, financial position, or liquidity. The Company's current expectation is that future payment or performance related to non-performance under other guarantees is considered remote.

13. ENVIRONMENTAL MATTERS AND ASSET RETIREMENT OBLIGATIONS

Certain Eastman manufacturing sites generate hazardous and nonhazardous wastes, the treatment, storage, transportation, and disposal of which are regulated by various governmental agencies. In connection with the cleanup of various hazardous waste sites, the Company, along with many other entities, has been designated a potentially responsible party ("PRP") by the U.S. Environmental Protection Agency under the Comprehensive Environmental Response, Compensation and Liability Act, which potentially subjects PRPs to joint and several liability for such cleanup costs. In addition, the Company will be required to incur costs for environmental remediation and closure and postclosure under the federal Resource Conservation and Recovery Act. Reserves for environmental contingencies have been established in accordance with Eastman's policies described in Note 1, "Significant Accounting Policies". The Company's total reserve for environmental contingencies was $345 million and $368 million at December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, this reserve included $10 million and $9 million, respectively, related to sites previously closed and impaired by Eastman, as well as sites that have been divested by Eastman but for which the Company retains the environmental liability.

Estimated future environmental expenditures for remediation costs ranged from the minimum or best estimate of $324 million to the maximum of $548 million and from the minimum or best estimate of $341 million to the maximum of $581 million at December 31, 2014 and 2013, respectively. The maximum estimated future costs are considered to be reasonably possible and include the amounts accrued at both December 31, 2014 and 2013. Although the resolution of uncertainties related to these environmental matters may have a material adverse effect on the Company's consolidated results of operations in the period recognized, because of expected sharing of costs, the availability of legal defenses, and the Company's preliminary assessment of actions that may be required, management does not believe that the Company's liability for these environmental matters, individually or in the aggregate, will be material to the Company's consolidated financial position or cash flows.

An asset retirement obligation is an obligation for the retirement of a tangible long-lived asset that is incurred upon the acquisition, construction, development, or normal operation of that long-lived asset. The Company recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be made. The asset retirement obligation is subsequently adjusted for changes in fair value. The associated estimated asset retirement costs are capitalized as part of the carrying value of the long-lived assets and depreciated over their useful life. Environmental asset retirement obligations consist of primarily closure and post-closure costs. For facilities that have environmental asset retirement obligations, the best estimate accrued to date over the facilities' estimated useful lives for these asset retirement obligation costs were $21 million and $27 million at December 31, 2014 and 2013, respectively.

Reserves for environmental remediation that management believes to be probable and estimable are recorded as current and long-term liabilities in the Consolidated Statements of Financial Position. These reserves include liabilities expected to be paid out within 30 years. The amounts charged to pre-tax earnings for environmental remediation and related charges are included in cost of sales and other (income) charges, net, and are summarized below:

(Dollars in millions)		
Balance at December 31, 2013	$	341
Assumed remediation reserve from acquisitions		2
Changes in estimates recorded to earnings and other		8
Cash reductions		(27)
Balance at December 31, 2014	$	324

The Company's total environmental reserve for environmental contingencies, including remediation costs and asset retirement obligations, is recorded in the Consolidated Statements of Financial Position as follows:

	December 31,			
(Dollars in millions)		2014		2013
Environmental contingent liabilities, current	$	35	$	40
Environmental contingent liabilities, long-term		310		328
Total	$	345	$	368

Additionally, costs of certain remediation projects included in the assumed environmental reserve are subject to a cost-sharing arrangement with Monsanto Company ("Monsanto") under the provisions of the Amended and Restated Settlement Agreement effective February 28, 2008 (the "Effective Date"), into which Solutia entered with Monsanto upon its emergence from bankruptcy (the "Monsanto Settlement Agreement"). Under the provisions of the Monsanto Settlement Agreement, the Company shares responsibility with Monsanto for remediation at certain locations outside of the boundaries of plant sites in Anniston, Alabama and Sauget, Illinois (the "Shared Sites"). The Company is responsible for the funding of environmental liabilities at the Shared Sites up to a total of $325 million from the Effective Date. If remediation costs for the Shared Sites exceed this amount, such costs will thereafter be shared equally between the Company and Monsanto. Including payments by Solutia prior to its acquisition by Eastman, $64 million had been paid for costs at the Shared Sites as of December 31, 2014. As of December 31, 2014, an additional $212 million has been accrued for estimated future remediation costs at the Shared Sites, over a period of thirty years.

Environmental costs are capitalized if they extend the life of the related property, increase its capacity, and/or mitigate or prevent future contamination. The cost of operating and maintaining environmental control facilities is charged to expense. The Company's cash expenditures related to environmental protection and improvement were $319 million, $285 million, and $262 million in 2014, 2013, and 2012, respectively. These amounts were primarily for operating costs associated with environmental protection equipment and facilities, but also included $79 million and $53 million in expenditures for engineering and construction in 2014 and 2013, respectively.

The Company also has contractual obligations that include asset retirement obligations not associated with environmental liabilities. Eastman's non-environmental asset retirement obligations are primarily associated with the future closure of leased manufacturing assets at Pace, Florida and Oulu, Finland acquired from Taminco. These accrued non-environmental asset retirement obligations were $44 million as of December 31, 2014.

14. LEGAL MATTERS

General

From time to time, the Company and its operations are parties to, or targets of, lawsuits, claims, investigations and proceedings, including product liability, personal injury, asbestos, patent and intellectual property, commercial, contract, environmental, antitrust, health and safety, and employment matters, which are being handled and defended in the ordinary course of business. While the Company is unable to predict the outcome of these matters, it does not believe, based upon currently available facts, that the ultimate resolution of any such pending matters will have a material adverse effect on its overall financial condition, results of operations, or cash flows.

15. STOCKHOLDERS' EQUITY

A reconciliation of the changes in stockholders' equity for 2014, 2013, and 2012 is provided below:

(Dollars in millions)	Common Stock at Par Value $	Paid-in Capital $	Retained Earnings $	Accumulated Other Comprehensive Income (Loss) $	Treasury Stock at Cost $	Total Stockholders' Equity Attributed to Eastman $	Noncontrolling Interest $	Total Stockholders' Equity $
Balance at December 31, 2011	2	900	2,760	138	(1,930)	1,870	31	1,901
Net Earnings	—	—	437	—	—	437	7	444
Cash Dividends [1]	—	—	(159)	—	—	(159)	—	(159)
Other Comprehensive Income	—	—	—	(15)	—	(15)	—	(15)
Share-Based Compensation Expense [2]	—	25	—	—	—	25	—	25
Stock Option Exercises	—	40	—	—	—	40	—	40
Shares Issued for Business Combination	—	730	—	—	—	730	—	730
Other [3]	—	14	—	—	1	15	—	15
Share Repurchase	—	—	—	—	—	—	50	50
Distributions to noncontrolling interest	—	—	—	—	—	—	(3)	(3)
Balance at December 31, 2012	2	1,709	3,038	123	(1,929)	2,943	85	3,028
Net Earnings	—	—	1,165	—	—	1,165	7	1,172
Cash Dividends [1]	—	—	(191)	—	—	(191)	—	(191)
Other Comprehensive Income	—	—	—	48	—	48	—	48
Share-Based Compensation Expense [2]	—	39	—	—	—	39	—	39
Stock Option Exercises	—	12	—	—	—	12	—	12
Shares Issued for Business Combination	—	16	—	—	—	16	—	16
Other [3]	—	2	—	—	—	2	—	2
Share Repurchase	—	—	—	—	(238)	(238)	—	(238)
Distributions to noncontrolling interest	—	—	—	—	—	—	(13)	(13)
Balance at December 31, 2013	2	1,778	4,012	171	(2,167)	3,796	79	3,875
Net Earnings	—	—	751	—	—	751	6	757
Cash Dividends [1]	—	—	(218)	—	—	(218)	—	(218)
Other Comprehensive Income	—	—	—	(448)	—	(448)	—	(448)
Share-Based Compensation Expense [2]	—	28	—	—	—	28	—	28
Stock Option Exercises	—	13	—	—	—	13	—	13
Shares Issued for Business Combination	—	—	—	—	—	—	—	—
Other [3]	—	(2)	—	—	—	(2)	(1)	(3)
Share Repurchase	—	—	—	—	(410)	(410)	—	(410)
Distributions to noncontrolling interest	—	—	—	—	—	—	(4)	(4)
Balance at December 31, 2014	2	1,817	4,545	(277)	(2,577)	3,510	80	3,590

(1) Includes cash dividends paid and dividends declared, but unpaid.

(2) Includes the fair value of equity share-based awards recognized for share-based compensation.

(3) Paid in capital includes tax benefits/charges relating to the difference between the amounts deductible for federal income taxes over the amounts charged to income for book value purposes have been adjusted to paid-in capital and other items. Equity attributable to noncontrolling interest includes adjustments for currency revaluation.

The Company is authorized to issue 400 million shares of all classes of stock, of which 50 million may be preferred stock, par value $0.01 per share, and 350 million may be common stock, par value $0.01 per share. The Company declared dividends per share of $1.45 in 2014, $1.25 in 2013, and $1.08 in 2012.

On July 2, 2012, as part of the Company's acquisition of Solutia, the Company issued 14.7 million shares of Eastman common stock and 4,481,250 warrants to purchase 0.12 shares of Eastman common stock and $22.00 cash per warrant upon payment of the warrant exercise price of $29.70. The warrants expired on February 27, 2013. For more information, see Note 2, "Acquisitions". There were no warrants outstanding as of December 31, 2013.

The Company established a benefit security trust in 1997 to provide a degree of financial security for unfunded obligations under certain unfunded plans and contributed to the trust a warrant to purchase up to 6 million shares of common stock of the Company for par value. The warrant, which remains outstanding, is exercisable by the trustee if the Company does not meet certain funding obligations, which obligations would be triggered by certain occurrences, including a change in control or potential change in control, as defined, or failure by the Company to meet its payment obligations under certain covered unfunded plans. Such warrant is excluded from the computation of diluted earnings per share because the conditions upon which the warrant becomes exercisable have not been met.

The additions to paid-in capital in both 2014 and 2013 are primarily for compensation expense of equity awards and employee stock option exercises. The additions in 2012 are primarily for shares issued as part of the acquisition of Solutia and employee stock option exercises and compensation expense of equity awards.

In February 2011, the Company's Board of Directors authorized repurchase of up to $300 million of the Company's outstanding common stock. The Company completed the $300 million repurchase authorization in August 2013, acquiring a total of 6,141,999 shares. In May 2013, the Company's Board of Directors authorized repurchase of up to $300 million of the Company's outstanding common stock. The Company completed the $300 million repurchase authorization in March 2014, acquiring a total of 3,840,949 shares. In February 2014, the Company's Board of Directors authorized repurchase of up to an additional $1 billion of the Company's outstanding common stock at such times, in such amounts, and on such terms, as determined to be in the best interests of the Company. As of December 31, 2014, a total of 2,933,029 shares have been repurchased under this authorization for a total of $250 million. During 2014, the Company repurchased 4,945,452 shares of common stock for a cost of approximately $410 million. During 2013, the Company repurchased 3,212,886 shares of common stock for a cost of approximately $238 million. The Company did not repurchase any shares of common stock during 2012.

The Company's charitable foundation held 50,798 shares of the Company's common stock at both December 31, 2014 and 2013 and 60,845 shares at December 31, 2012 which are included in treasury stock.

The following table sets forth the computation of basic and diluted earnings per share ("EPS") for continuing operations:

(In millions, except per share amounts)	For years ended December 31, 2014	2013	2012
Numerator			
Earnings attributable to Eastman stockholders:			
Earnings from continuing operations, net of tax	$ 749	$ 1,165	$ 436
Denominator			
Weighted average shares used for basic EPS	149.5	154.0	145.5
Dilutive effect of stock options and other award plans	1.6	2.5	3.6
Weighted average shares used for diluted EPS	151.1	156.5	149.1
EPS from continuing operations [1]			
Basic	$ 5.01	$ 7.57	$ 2.99
Diluted	$ 4.95	$ 7.44	$ 2.92

(1) Earnings per share are calculated using whole dollars and shares.

Stock options excluded from the 2014 calculation of diluted earnings per share were 272,143 because the total market value of option exercises for these awards was less than the total cash proceeds that would be received from these exercises. There were no stock options excluded from the 2013 calculation of diluted earnings per share. For 2012, the only shares excluded from the computation of diluted earnings per share were 536,803 shares then issuable upon exercise of the warrants issued in the Solutia acquisition.

Shares of common stock issued [1]	For years ended December 31, 2014	2013	2012
Balance at beginning of year	215,131,237	213,406,523	196,455,131
Issued for employee compensation and benefit plans	1,125,734	1,455,030	2,263,783
Issued for Solutia acquisition and related warrants	—	269,684	14,687,609
Balance at end of year	216,256,971	215,131,237	213,406,523

(1) Includes shares held in treasury.

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX

(Dollars in millions)	Cumulative Translation Adjustment $	Benefit Plans Unrecognized Prior Service Credits $	Unrealized Gains (Losses) on Cash Flow Hedges $	Unrealized Losses on Investments $	Accumulated Other Comprehensive Income (Loss) $
Balance at December 31, 2012	105	65	(46)	(1)	123
Period change	28	13	7	—	48
Balance at December 31, 2013	133	78	(39)	(1)	171
Period change	(201)	(17)	(230)	—	(448)
Balance at December 31, 2014	(68)	61	(269)	(1)	(277)

Amounts of other comprehensive income (loss) are presented net of applicable taxes. The Company records deferred income taxes on the cumulative translation adjustment related to branch operations and other entities included in the Company's consolidated U.S. tax return. No deferred income taxes are provided on the cumulative translation adjustment of subsidiaries outside the United States, as such cumulative translation adjustment is considered to be a component of indefinitely invested, unremitted earnings of these foreign subsidiaries.

Components of other comprehensive income recorded in the Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings are presented below, before tax and net of tax effects:

	For years ended December 31,					
	2014		2013		2012	
(Dollars in millions)	Before Tax	Net of Tax	Before Tax	Net of Tax	Before Tax	Net of Tax
Other comprehensive income (loss)						
Change in cumulative translation adjustment	$ (201)	$ (201)	$ 27	$ 28	$ 42	$ 41
Defined benefit pension and other postretirement benefit plans:						
Prior service credit arising during the period	—	—	47	29	3	2
Amortization of unrecognized prior service credits included in net periodic costs	(28)	(17)	(26)	(16)	(23)	(15)
Change in defined benefit pension and other postretirement benefit plans	(28)	(17)	21	13	(20)	(13)
Derivatives and hedging:						
Unrealized (loss) gain	(371)	(230)	10	6	(59)	(36)
Reclassification adjustment for gains included in net income	—	—	2	1	(11)	(7)
Change in derivatives and hedging	(371)	(230)	12	7	(70)	(43)
Total other comprehensive income (loss)	$ (600)	$ (448)	$ 60	$ 48	$ (48)	$ (15)

For additional information regarding the impact of reclassifications into earnings, refer to Note 10, "Derivatives".

16. ASSET IMPAIRMENTS AND RESTRUCTURING CHARGES, NET

Components of asset impairments and restructuring charges (gains), net, are presented below:

	For years ended December 31,		
(Dollars in millions)	2014	2013	2012
Fixed asset impairments	$ 28	$ 28	$ 41
Gain on sale	(7)	—	—
Intangible asset and goodwill impairments	24	—	5
Severance charges	13	27	33
Site closure and restructuring charges	19	21	41
Total	$ 77	$ 76	$ 120

2014

In 2014, there were net asset impairments and restructuring charges of $77 million.

In 2014, asset impairments of $18 million and restructuring charges, including severance, of $24 million were recognized in the AFP segment for costs of the closure of a Crystex® R&D facility in France.

As a result of the annual impairment testing of indefinite-lived intangible assets, in third quarter 2014 the Company recognized an intangible asset impairment of $22 million in the AFP segment to adjust the carrying value of the Crystex® tradename to the estimated fair value. This impairment resulted from a decrease in projected revenue since the tradename was acquired from Solutia in 2012. The estimated fair value was determined using an income approach, specifically the relief from royalty method.

In addition, during 2014, a change in estimate of certain costs for the fourth quarter 2012 termination of the operating agreement for the São Jose dos Campos, Brazil site resulted in a restructuring charge of $5 million to previously recognized asset impairments and restructuring charges.

During 2014, the Company recognized gains from the sales of previously impaired assets at the former Photovoltaics production facility in Germany and a former polymers production facility in China of $5 million and $2 million, respectively.

In 2014, charges in the AM segment included $10 million of asset impairments, including intangible assets, and $2 million of restructuring charges primarily due to the closure of a production facility in Taiwan for the Flexvue® product line. 2014 also included $5 million of restructuring charges for severance associated with the integration of the acquired Solutia businesses.

2013

In 2013, there were $76 million in asset impairments and restructuring charges and gains, net, including $23 million of restructuring charges primarily for severance associated with the integration of Solutia. For additional information related to the acquisition of Solutia, see Note 2, "Acquisitions".

During 2013, management decided not to continue its Perennial Wood™ growth initiative. This resulted in asset impairment charges of $16 million and restructuring charges of $14 million primarily for inventory and contract termination costs. Also during fourth quarter 2013, management decided to terminate efforts to develop a continuous resin process in Kuantan, Malaysia and Antwerp, Belgium. This resulted in asset impairment charges of $4 million.

During 2013, management decided to shut-down the Photovoltaics product line, including the primary production facility in Germany. This resulted in the Company recognizing asset impairments of $8 million and restructuring charges of $6 million including charges for severance.

During 2013, management also approved and recorded severance charges of $6 million primarily for a voluntary separation plan for certain employees.

In addition, during 2013, a change in estimate for certain costs for the fourth quarter 2012 termination of the operating agreement for the São Jose dos Campos, Brazil site resulted in a reduction of $4 million to previously recorded asset impairments and restructuring charges.

2012

In 2012, there were $120 million in asset impairments and restructuring charges and gains, net.

During 2012, the Company terminated an operating agreement at the acquired Solutia facility in São Jose dos Campos, Brazil, which resulted in asset impairments and restructuring charges of $35 million. Restructuring charges for the shutdown of manufacturing activities at this site included contract termination costs for severance and other required costs under the operating agreement. Additionally, the Company recorded asset impairments for long-lived assets at the site, based on fair value indicators.

During 2012, management approved the closure of a production facility in China. Based on business analysis completed in fourth quarter, the Company concluded the production of the related product lines would be most efficiently performed in its Kingsport, Tennessee facility. This resulted in the Company recognizing asset impairment and restructuring charges of $6 million.

During 2012, acquisition related restructuring charges of $32 million were recorded primarily for severance costs associated with the acquisition and integration of Solutia.

During 2012, the Company ceased R&D activities for renewable chemicals at a site it acquired in 2011, resulting in asset impairments and restructuring charges of $4 million.

During 2012, the Company recognized asset impairments of $17 million due to a change in approach to address recently finalized boiler air emissions regulations. The Company had incurred engineering costs associated with required modifications for its existing steam and electric generation capacity. However, based on the then current availability of natural gas and the lower cost of operation, management determined that conversion to natural gas fueled boilers was more cost efficient. The Company entered into long-term natural gas supply agreements with a third party in fourth quarter 2012, triggering the impairment of the project.

During 2012, management decided to cease production of certain products in its Perennial Wood™ growth initiative. As a result, a restructuring charge of $17 million was recognized for inventory costs in excess of recoverable value on these certain product lines and to accrue for losses on take-or-pay contracts with third parties. An analysis was performed to determine what, if any, impairment may be required for the associated fixed assets. Based on the expected life of the assets and intended uses within the Company's continuing acetylation initiatives, there was no impairment.

The Company also recognized asset impairments related to land retained from the previously discontinued industrial gasification project. Based on fair value indicators, the carrying value of the Beaumont land was reduced by $6 million.

	Balance at January 1, 2014	Provision/ Adjustments	Non-cash Reductions	Cash Reductions	Balance at December 31, 2014
Noncash charges	$ —	$ 52	$ (52)	$ —	$ —
Severance costs	22	13	—	(22)	13
Site closure & restructuring costs	14	12	(4)	(7)	15
Total	$ 36	$ 77	$ (56)	$ (29)	$ 28

	Balance at January 1, 2013	Provision/ Adjustments	Non-cash Reductions/ Additions	Cash Reductions	Balance at December 31, 2013
Noncash charges	$ —	$ 28	$ (28)	$ —	$ —
Severance costs	4	27	2	(11)	22
Site closure & restructuring costs	21	21	(16)	(12)	14
Total	$ 25	$ 76	$ (42)	$ (23)	$ 36

	Balance at January 1, 2012	Provision/ Adjustments	Non-cash Reductions	Cash Reductions	Balance at December 31, 2012
Noncash charges	$ —	$ 43	$ (43)	$ —	$ —
Severance costs	2	34	—	(32)	4
Site closure & restructuring costs	—	43	(20)	(2)	21
Total	$ 2	$ 120	$ (63)	$ (34)	$ 25

Substantially all costs remaining for severance are expected to be applied to the reserves within one year.

17. OTHER (INCOME) CHARGES, NET

	For years ended December 31,		
(Dollars in millions)	2014	2013	2012
Foreign exchange transaction (gains) losses, net	$ (7)	$ 7	$ (4)
Acquisition pre-close financing costs	10	—	23
(Income) loss from equity investments and other investment (gains) losses, net	(13)	(5)	(9)
Other, net	(5)	1	(2)
Other (income) charges, net	$ (15)	$ 3	$ 8

Included in other (income) charges, net are gains or losses on foreign exchange transactions, equity investments, business venture investments, non-operating assets, and certain litigation costs and earnings. Acquisition pre-close financing costs recognized in "Other (Income) Charges, Net" during 2014 were Taminco acquisition borrowing fees and during 2012 were Solutia acquisition borrowings fees.

18. SHARE-BASED COMPENSATION PLANS AND AWARDS

2012 Omnibus Stock Compensation Plan

Eastman's 2012 Omnibus Stock Compensation Plan ("2012 Omnibus Plan") was approved by stockholders at the May 3, 2012 Annual Meeting of Stockholders and shall remain in effect until its fifth anniversary. The 2012 Omnibus Plan authorizes the Compensation and Management Development Committee of the Board of Directors to: grant awards, designate participants, determine the types and numbers of awards, determine the terms and conditions of awards and determine the form of award settlement. Under the 2012 Omnibus Plan, the aggregate number of shares reserved and available for issuance is 10 million, which will consist of a number of shares not previously authorized for issuance under any other plan. The number of shares covered by an award is counted against this share reserve as of the grant date of the award. Shares covered by full value awards (e.g. performance shares and restricted stock awards) are counted against the total number of shares available for issuance or delivery under the plan as 2.5 shares for every one share covered by the award. Any stock distributed pursuant to an award may consist of, in whole or in part, authorized and unissued stock, treasury stock, or stock purchased on the open market. Under the 2012 Omnibus Plan and previous plans, the forms of awards have included: restricted stock and restricted stock units, stock options, stock appreciation rights ("SARs"), and performance shares. The 2012 Omnibus Plan is flexible as to the number of specific forms of awards, but provides that stock options and SARs are to be granted at an exercise price not less than 100 percent of the per share fair market value on the date of the grant.

Director Stock Compensation Subplan

Eastman's 2013 Director Stock Compensation Subplan ("Directors' Subplan"), a component of the 2012 Omnibus Plan, remains in effect until terminated by the Board of Directors or the earlier termination of the 2012 Omnibus Plan. The Directors' Subplan provides for structured awards of restricted shares to non-employee members of the Board of Directors. Restricted shares awarded under the Directors' Subplan are subject to the same terms and conditions of the 2012 Omnibus Plan. The Directors' Subplan does not constitute a separate source of shares for grant of equity awards and all shares awarded are part of the 10 million shares authorized under the 2012 Omnibus Plan. Shares of restricted stock are granted on the first day of a non-employee director's initial term of service and shares of restricted stock are granted each year to each non-employee director on the date of the annual meeting of stockholders.

General

The Company is authorized by the Board of Directors under the 2012 Omnibus Plan to provide grants to employees and non-employee members of the Board of Directors. It has been the Company's practice to issue new shares rather than treasury shares for equity awards that require settlement by the issuance of common stock and to withhold or accept back shares awarded to cover the related income tax obligations of employee participants. Shares of unrestricted common stock owned by non-employee directors are not withheld or acquired to satisfy the withholding obligation related to their income taxes. Shares of unrestricted common stock owned by specified senior management level employees are accepted by the Company to pay the exercise price of stock options in accordance with the terms and conditions of their awards.

For 2014, 2013, and 2012, total share-based compensation expense (before tax) of approximately $28 million, $40 million, and $28 million, respectively, was recognized in selling, general and administrative expense in the Consolidated Statements of Earnings for all share-based awards of which approximately $4 million, $5 million, and $2 million, respectively, related to stock options. The compensation expense is recognized over the substantive vesting period, which may be a shorter time period than the stated vesting period for qualifying termination eligible employees as defined in the forms of award notice. For 2014 and 2013, approximately $1 million and $3 million, respectively, of stock option compensation expense was recognized due to qualifying termination eligibility preceding the requisite vesting period.

Stock Option Awards

Options have been granted on an annual basis to non-employee directors under the Directors' Subplan and predecessor plans and by the Compensation and Management Development Committee of the Board of Directors under the 2012 Omnibus Plan and predecessor plans to employees. Option awards have an exercise price equal to the closing price of the Company's stock on the date of grant. The term of options is 10 years with vesting periods that vary up to three years. Vesting usually occurs ratably over the vesting period or at the end of the vesting period. The Company utilizes the Black Scholes Merton option valuation model which relies on certain assumptions to estimate an option's fair value.

The weighted average assumptions used in the determination of fair value for stock options awarded in 2014 and 2013 are provided in the table below. There were no stock options granted in 2012.

Assumptions	2014	2013
Expected volatility rate	25.82%	34.90%
Expected dividend yield	1.70%	1.97%
Average risk-free interest rate	1.44%	0.77%
Expected forfeiture rate	0.75%	0.75%
Expected term years	4.7	5.0

The volatility rate of grants is derived from historical Company common stock price volatility over the same time period as the expected term of each stock option award. The volatility rate is derived by mathematical formula utilizing the weekly high closing stock price data over the expected term.

The expected dividend yield is calculated using the Company's average of the last four quarterly dividend yields.

The average risk-free interest rate is derived from United States Department of Treasury published interest rates of daily yield curves for the same time period as the expected term.

GAAP specifies only share-based awards expected to vest be included in share-based compensation expense. Estimated forfeiture rates are determined using historical forfeiture experience for each type of award and are excluded from the quantity of awards included in share-based compensation expense.

The weighted average expected term reflects the analysis of historical share-based award transactions and includes option swap and reload grants which may have much shorter remaining expected terms than new option grants.

A summary of the activity of the Company's stock option awards for 2014, 2013, and 2012 is presented below:

	2014		2013		2012	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of year	2,359,100	$ 39	2,480,100	$ 33	3,974,400	$ 30
Granted	272,100	86	317,900	70	—	—
Exercised	(419,300)	31	(436,500)	28	(1,486,300)	27
Cancelled, forfeited, or expired	(2,100)	55	(2,400)	15	(8,000)	19
Outstanding at end of year	2,209,800	$ 46	2,359,100	$ 39	2,480,100	$ 33
Options exercisable at year-end	1,726,800		1,862,000		1,912,400	
Available for grant at end of year	7,271,093		8,454,854		9,808,610	

The following table provides the remaining contractual term and weighted average exercise prices of stock options outstanding and exercisable at December 31, 2014:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 31, 2014	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable at December 31, 2014	Weighted-Average Exercise Price
$18-$29	436,400	4.2	$28	436,400	$28
$30-$34	310,400	2.3	32	310,400	32
$35-$40	876,200	6.3	39	876,200	39
$41-$87	586,800	8.7	77	103,800	70
	2,209,800	6.0	$46	1,726,800	$37

The range of exercise prices of options outstanding at December 31, 2014 is approximately $18 to $87 per share. The aggregate intrinsic value of total options outstanding and total options exercisable at December 31, 2014 is $69 million and $68 million, respectively. Intrinsic value is the amount by which the closing market price of the stock at December 31, 2014 exceeds the exercise price of the option grants.

The weighted average remaining contractual life of all exercisable options at December 31, 2014 is 5.2 years.

The weighted average fair value of options granted during 2014 and 2013 was $17.12 and $17.92, respectively. There were no options granted in 2012. The total intrinsic value of options exercised during the years ended December 31, 2014, 2013, and 2012, was $22 million, $21 million, and $43 million, respectively. Cash proceeds received by the Company from option exercises and the related tax benefit totaled $13 million and $7 million, respectively, for 2014, $12 million and $6 million, respectively, for 2013, and $40 million and $14 million, respectively, for 2012. The total fair value of shares vested during the years ended December 31, 2014, 2013, and 2012 was $4 million, $3 million, and $5 million, respectively.

A summary of the status of the Company's nonvested options as of December 31, 2014 and changes during the year then ended is presented below:

Nonvested Options	Number of Options	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2014	497,100	$14.80
Granted	272,100	17.12
Vested	(284,100)	12.49
Forfeited	(2,100)	13.94
Nonvested options at December 31, 2014	483,000	$17.47

For nonvested options at December 31, 2014, approximately $3 million in compensation expense will be recognized over the next three years.

Other Share-Based Compensation Awards

In addition to stock option awards, the Company has awarded long-term performance share awards, restricted stock awards, and SARs. The long-term performance awards are based upon actual return on capital compared to a target return on capital and total stockholder return compared to a peer group ranking by total stockholder return over a three year performance period. The awards are valued using a Monte Carlo Simulation based model and vest pro-rata over the three year performance period. The number of long-term performance award target shares granted for the 2014-2016, 2013-2015, and 2012-2014 periods were 285 thousand, 270 thousand, and 338 thousand, respectively. The target shares granted are assumed to be 100 percent. At the end of the three-year performance period, the actual number of shares awarded can range from zero percent to 250 percent of the target shares granted based on the award notice. The number of restricted stock awards granted during 2014, 2013, and 2012 were 144 thousand, 146 thousand, and 84 thousand, respectively. The fair value of a restricted stock award is equal to the closing stock price of the Company's stock on the date of grant and normally vests over a period of three years. The recognized compensation expense before tax for these other share-based awards in the years ended December 31, 2014, 2013, and 2012 was approximately $24 million, $35 million, and $26 million, respectively. The unrecognized compensation expense before tax for these same type awards at December 31, 2014 was approximately $35 million and will be recognized primarily over a period of two years.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Included in the line item "Other items, net" of the "Cash flows from operating activities" section of the Consolidated Statements of Cash Flows are specific changes to certain balance sheet accounts as follows:

	For years ended December 31,		
(Dollars in millions)	2014	2013	2012
Current assets	$ (12)	$ (56)	$ (23)
Other assets	45	102	53
Current liabilities	(88)	(26)	(1)
Long-term liabilities	16	(191)	(71)
Total	$ (39)	$ (171)	$ (42)

The above changes included transactions such as accrued taxes, deferred taxes, environmental liabilities, monetized positions from raw material and energy, currency, and certain interest rate hedges, prepaid insurance, miscellaneous deferrals, value-added taxes, and other miscellaneous accruals.

Cash flows from derivative financial instruments accounted for as hedges are classified in the same category as the item being hedged.

	For years ended December 31,		
(Dollars in millions)	2014	2013	2012
Cash paid for interest and income taxes is as follows:			
Interest, net of amounts capitalized	$ 184	$ 186	$ 125
Income taxes	152	224	137
Non-cash investing and financing activities:			
Outstanding trade payables related to capital expenditures	19	28	—
(Gain) loss from equity investments	(13)	(4)	(8)

20. SEGMENT INFORMATION

The Company's products and operations are currently managed and reported in five reporting segments: Additives & Functional Products ("AFP"), Adhesives & Plasticizers ("A&P"), Advanced Materials ("AM"), Fibers, and Specialty Fluids & Intermediates ("SFI").

In the AFP segment, the Company manufactures chemicals for products in the coatings and tire industries in transportation, building and construction, durable goods, and consumables markets. This segment also contains the recently acquired Taminco specialty amines and crop protection businesses which primarily serve the personal care and agriculture markets. The products Eastman manufactures for the coatings industry can be broadly classified as solvents, which include specialty coalescents and ketones and esters, glycol ethers, and alcohol solvents; and polymers, which include cellulose and polyester-based specialty polymers and paint additives. Products for the tires industry are classified into three main product groups: insoluble sulfur products, which are vulcanizing agents principally marketed under the Crystex® brand; antidegradants, principally marketed under the Santoflex® brand; and hydrocarbon resins. The specialty amines business includes product lines that consist of specialty intermediates, performance products, and formic acid. The crop protection business consists of alkylamine derivatives product lines. Coatings industry and other formulated products sales accounted for 66 percent, 66 percent, and 80 percent of the AFP segment's total sales for 2014, 2013, and 2012 respectively. Tires industry sales accounted for 31 percent, 34 percent and 20 percent of the AFP segment's total sales for 2014, 2013 and 2012, respectively. The recently acquired specialty amines and crop protection businesses are included in December 2014 sales revenue and account for approximately 3 percent of total sales in 2014.

In the A&P segment, the Company manufactures adhesives resins and plasticizers which are used in the manufacture of products sold into the consumables, building and construction, health and wellness, industrial chemicals and processing, and durable goods markets. The adhesives resins product line consists of hydrocarbon resins such as Regalite™ and Eastotac™; non-hydrogenated hydrocarbons resins such as Piccotac™; and rosins such as Eastoflex™. The plasticizers product line consists of a unique set of primary non-phthalate plasticizers such as Eastman 168™, and a range of niche non-phthalate plasticizers such as Benzoflex™ and Eastman TXIB™. Adhesives resins accounted for 53 percent, 52 percent, and 55 percent of the A&P segment's total sales for 2014, 2013, and 2012, respectively. Plasticizers accounted for 47 percent, 48 percent, and 45 percent of the A&P segment's total sales for 2014, 2013, and 2012, respectively.

In the AM segment, the Company produces and markets specialty copolyesters, cellulose esters, interlayers, and aftermarket window film products that possess differentiated performance properties for value-added end uses in transportation, consumables, building and construction, durable goods, and health and wellness products. The specialty plastics product line consists of two primary products: specialty copolyesters and cellulose esters. The interlayers product line includes specialty intermediate polyvinyl butyral ("PVB") sheet and resins. PVB is a specialty resin used in the production of laminated safety glass sheet used in automotive and architectural applications. The performance films product line primarily consists of window film products, which are aftermarket applied films to enhance the characteristics and functional performance of automotive and architectural glass. Eastman's specialty plastics product line accounted for 54 percent, 53 percent, and 69 percent of the AM segment's total sales for 2014, 2013, and 2012, respectively. The interlayers product line accounted for 34 percent, 34 percent, and 23 percent of the AM segment's total sales for 2014, 2013, and 2012, respectively. The performance films product line accounted for 12 percent, 13 percent, and 8 percent of the AM segment's total sales for 2014, 2013, and 2012, respectively. The performance films product line includes the recently acquired Commonwealth in December 2014 total sales.

In the Fibers segment, the Company manufactures Estron™ acetate tow and Estrobond™ triacetin plasticizers for use primarily in manufacture of cigarette filters; Estron™ natural (undyed) and Chromspun™ solution-dyed acetate yarns for use in apparel, home furnishings, and industrial fabrics; and cellulose acetate flake and acetyl raw materials for other acetate fiber producers. Acetate tow accounted for 79 percent, 83 percent, and 86 percent of the Fibers segment total sales revenue in 2014, 2013, and 2012, respectively, with the remainder of sales from other product lines, including acetate yarn and acetyl chemical products.

In the SFI segment, the Company leverages large scale and vertical integration from the acetyl and olefins streams and the recently acquired alkylamine stream and proprietary manufacturing technology for specialty fluids to manufacture diversified products that are sold externally for use in markets such as industrial chemicals and processing, building and construction, health and wellness, and agrochemical; and that are used internally by other segments of the Company. In the chemical intermediates product line, the Company produces oxo alcohols and derivatives, acetic acid and derivatives and acetic anhydride. In the other intermediate product line, the Company produces olefin, chemical intermediates, and polymer intermediates. In the specialty fluids product line, the Company produces Therminol® heat transfer fluids and Skydrol® brand aviation hydraulic fluids. The recently acquired functional amines product lines include methylamines and salts, and higher amines and solvents. Chemical intermediates accounted for 50 percent, 48 percent, and 51 percent of the SFI segment's total sales for 2014, 2013, and 2012, respectively. Sales for other intermediate products accounted for 35 percent, 39 percent, and 42 percent of the SFI segment's total sales for 2014, 2013, and 2012, respectively. Specialty fluids accounted for 14 percent, 13 percent, and 7 percent of the SFI segment's total sales for 2014, 2013, and 2012, respectively. The recently acquired functional amines business is included in December 2014 sales revenue and accounts for approximately 1 percent of total sales in 2014.

The Company continues to explore and invest in R&D initiatives that are aligned with macro trends in sustainability, consumerism, and energy efficiency such as high performance materials, advanced cellulosics, and reduced environmental impact. An example of such an initiative is the Eastman™ microfiber technology platform which leverages the Company's core competency in polymers chemistry, spinning capability, and in-house application expertise, for use in high purity air filtration, liquid filtration, and energy storage media, with opportunities for future growth in nonwoven and textile applications. The acquisition of Knowlton Technologies is expected to accelerate the Eastman™ microfiber technology platform innovation.

Sales revenue and expense for the Eastman™ microfiber technology platform growth initiative are shown in the tables below as "other" sales revenue and operating loss. R&D, pension and other postretirement benefits, and other expenses and income not identifiable to an operating segment are shown in the tables below as "other" operating earnings (loss).

Included in 2014 "other" was sales revenue from the acquired Knowlton business, part of the Eastman™ microfibers technology platform. Included in 2013 and 2012 "other" sales revenue were the Perennial Wood™ growth initiative and the Photovoltaics product line acquired from Solutia in 2012. There was no sales revenue related to Perennial Wood™ included in 2014 as a result of decisions made by management in 2013 not to continue its Perennial Wood™ growth initiative.

	For years ended December 31,		
(Dollars in millions)	2014	2013	2012
Sales by Segment			
Additives & Functional Products	$ 1,821	$ 1,719	$ 1,332
Adhesives & Plasticizers	1,363	1,326	1,432
Advanced Materials	2,378	2,349	1,694
Fibers	1,457	1,441	1,315
Specialty Fluids & Intermediates	2,490	2,497	2,318
Total Sales by Segment	$ 9,509	$ 9,332	$ 8,091
Other	18	18	11
Total Sales	$ 9,527	$ 9,350	$ 8,102

	For years ended December 31,		
(Dollars in millions)	2014	2013	2012
Operating Earnings (Loss)			
Additives & Functional Products (1)(2)(3)(4)(5)(6)	$ 329	$ 405	$ 285
Adhesives & Plasticizers (6)	196	172	260
Advanced Materials (4)(5)(6)(7)	276	257	84
Fibers (6)	474	462	385
Specialty Fluids & Intermediates (4)(5)(6)(8)	289	363	288
Total Operating Earnings by Segment	1,564	1,659	1,302
Other (9)			
Growth initiatives and businesses not allocated to segments (10)(11)(12)	(58)	(132)	(132)
Pension and other postretirement benefit costs not allocated to operating segments (13)	(293)	394	(294)
Transaction, integration, and restructuring costs related to acquisitions (14)(15)(16)	(51)	(59)	(76)
Total Operating Earnings	$ 1,162	$ 1,862	$ 800

The footnotes below describe the primary items impacting non-GAAP earnings.

(1) Included in 2014 earnings are asset impairments and restructuring charges of $42 million for costs of the closure of a Crystex® R&D facility in France.

(2) Included in 2014 earnings is a $22 million asset impairment of the Crystex® tradename.

(3) As required by purchase accounting, acquired Taminco business inventories were marked to fair value. Included in 2014 earnings are additional costs of these inventories. Approximately $7 million were sold in 2014 resulting in an increase in cost of sales.

(4) Included in 2012 earnings are additional costs of $21 million, $41 million, and $17 million in the AFP, AM, and SFI segments, respectively, of acquired Solutia inventories.

(5) Included in 2012 were asset impairments and restructuring charges of $8 million, $24 million, and $3 million in the AFP, AM, and SFI segments, respectively, for the fourth quarter termination of an operating agreement at the acquired Solutia manufacturing facility in São Jose Dos Campos, Brazil and related manufacturing facility closure costs.

(6) Included in 2012 were asset impairments and restructuring charges of $3 million, $3 million, $5 million, $3 million, and $6 million in the AFP, A&P, AM, Fibers, and SFI segments, respectively, primarily related to discontinuance of a project to modify existing utility assets in order to meet requirements of enacted environmental regulations controlling air emissions from boilers.

(7) Included in 2014 earnings are asset impairments, including intangible assets, and restructuring charges of $12 million primarily for the closure of a production facility in Taiwan for the Flexvue® product line.

(8) As required by purchase accounting, acquired Taminco and aviation turbine oil business inventories were marked to fair value. Included in 2014 earnings are additional costs of these inventories. Approximately $8 million from the acquired Taminco business and approximately $8 million from the acquired aviation turbine oil business inventories were sold in 2014, resulting in an increase in cost of sales.

(9) R&D, certain components of pension and other postretirement benefits, and other expenses and income not identifiable to an operating segment are not included in segment operating results and are shown as "other" operating earnings (loss).

(10) Businesses not allocated to segments in 2014 include Eastman™ microfiber technology platform. Businesses not allocated to segments in 2013 included the Perennial Wood™ growth initiative and Photovoltaics product line, both of which ceased production in the second half of 2013.

(11) Included in 2014 earnings is a $6 million gain on sales of previously impaired assets at the former Photovoltaics production facility in Germany.

(12) Included in 2013 are asset impairment and restructuring charges of $30 million for management's decision not to continue its Perennial Wood™ growth initiative and $14 million for the shut-down of the Photovoltaics product line primarily in Germany. Operating earnings in 2012 included restructuring charges of $17 million for inventory costs in excess of recoverable value of certain Perennial Wood™ product lines and to accrue for losses on take-or-pay contracts with third parties.

(13) Included in 2014 earnings are MTM pension and other postretirement benefit plans losses of $304 million. Included in 2013 earnings are MTM pension and other postretirement benefit plans gains of $297 million and an MTM other postretirement benefit plan gain of $86 million for a change in benefits. Included in 2012 earnings are MTM pension and other postretirement benefit plans losses of $276 million. See Note 11, "Retirement Plans."

(14) Included in 2014 earnings are transaction costs of $22 million for the acquisitions of Taminco, Commonwealth, the aviation turbine oil business from BP plc, and Knowlton.

(15) Included in 2014 earnings are integration costs of $24 million for Solutia, the aviation turbine oil businesses, Commonwealth, Taminco, and Knowlton. Included in 2013 earnings are integration costs of $36 million for the acquired Solutia businesses.

(16) Included in 2014 and 2013 earnings are restructuring charges of $5 million and $23 million, respectively, primarily for severance associated with the continued integration of the acquired Solutia businesses. Operating earnings in 2012 included restructuring charges $32 million primarily for severance related to the acquisition and integration of Solutia.

For more information about asset impairments and restructuring charges included in operating earnings, see Note 16, "Asset Impairments and Restructuring Charges, Net".

(Dollars in millions)	December 31, 2014	December 31, 2013
Assets by Segment [1]		
Additives & Functional Products	$ 4,900	$ 2,940
Adhesives & Plasticizers	1,011	996
Advanced Materials	4,235	3,807
Fibers	986	974
Specialty Fluids & Intermediates	3,710	2,054
Total Assets by Segment	14,842	10,771
Corporate Assets	1,230	1,074
Total Assets	$ 16,072	$ 11,845

[1] The chief operating decision maker holds segment management accountable for accounts receivable, inventory, fixed assets, goodwill, and intangible assets.

(Dollars in millions)	For years ended December 31, 2014	2013	2012
Depreciation and Amortization Expense by Segment			
Additives & Functional Products	$ 104	$ 95	$ 63
Adhesives & Plasticizers	43	45	46
Advanced Materials	143	144	109
Fibers	66	65	66
Specialty Fluids & Intermediates	92	80	72
Total Depreciation and Amortization Expense by Segment	448	429	356
Other	2	4	4
Total Depreciation and Amortization Expense	$ 450	$ 433	$ 360

(Dollars in millions)	For years ended December 31, 2014	2013	2012
Capital Expenditures by Segment			
Additives & Functional Products	$ 111	$ 74	$ 70
Adhesives & Plasticizers	57	56	51
Advanced Materials	176	170	153
Fibers	53	65	52
Specialty Fluids & Intermediates	188	113	128
Total Capital Expenditures by Segment	585	478	454
Other	8	5	11
Total Capital Expenditures	$ 593	$ 483	$ 465

Sales are attributed to geographic areas based on customer location; long-lived assets are attributed to geographic areas based on asset location.

(Dollars in millions)	For years ended December 31,		
Geographic Information	**2014**	**2013**	**2012**
Sales			
United States	$ 4,162	$ 4,140	$ 3,831
All foreign countries	5,365	5,210	4,271
Total	$ 9,527	$ 9,350	$ 8,102

	December 31,		
	2014	**2013**	**2012**
Net properties			
United States	$ 3,753	$ 3,247	$ 3,172
All foreign countries	1,334	1,043	1,009
Total	$ 5,087	$ 4,290	$ 4,181

21. QUARTERLY SALES AND EARNINGS DATA – UNAUDITED

(Dollars in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2014				
Sales	$ 2,305	$ 2,460	$ 2,413	$ 2,349
Gross profit	595	657	636	333
Asset impairments and restructuring charges (gains), net	13	(7)	71	—
Net earnings attributable to Eastman	233	292	210	16
Net earnings per share attributable to Eastman[(1)]				
Basic	$ 1.54	$ 1.96	$ 1.41	$ 0.11
Diluted	1.52	1.93	1.39	0.11

(1) Each quarter is calculated as a discrete period; the sum of the four quarters may not equal the calculated full year amount.

(Dollars in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2013				
Sales	$ 2,307	$ 2,440	$ 2,338	$ 2,265
Gross profit	616	677	689	794
Asset impairments and restructuring charges (gains), net	3	18	3	52
Net earnings attributable to Eastman	247	264	308	346
Net earnings per share attributable to Eastman[(1)]				
Basic	$ 1.60	$ 1.71	$ 2.00	$ 2.26
Diluted	1.57	1.69	1.97	2.22

(1) Each quarter is calculated as a discrete period; the sum of the four quarters may not equal the calculated full year amount.

22. RESERVE ROLLFORWARDS

Valuation and Qualifying Accounts

	Balance at January 1, 2014	Additions: Charges (Credits) to Cost and Expense	Additions: Charges to Other Accounts	Deductions	Balance at December 31, 2014
Reserve for:					
Doubtful accounts and returns	$ 12	$ 1	$ —	$ 3	$ 10
LIFO inventory	506	(44)	—	—	462
Non-environmental asset retirement obligations	—	—	44	—	44
Environmental contingencies	368	2	2	27	345
Deferred tax valuation allowance	204	(6)	66	—	264
	$ 1,090	$ (47)	$ 112	$ 30	$ 1,125

	Balance at January 1, 2013	Additions: Charges (Credits) to Cost and Expense	Additions: Charges to Other Accounts	Deductions	Balance at December 31, 2013
Reserve for:					
Doubtful accounts and returns	$ 8	$ 5	$ —	$ 1	$ 12
LIFO inventory	505	1	—	—	506
Environmental contingencies	394	4	1	31	368
Deferred tax valuation allowance	215	—	—	11	204
	$ 1,122	$ 10	$ 1	$ 43	$ 1,090

(Dollars in millions)

	Balance at January 1, 2012	Additions: Charges (Credits) to Cost and Expense	Additions: Charges to Other Accounts	Deductions	Balance at December 31, 2012
Reserve for:					
Doubtful accounts and returns	$ 8	$ 2	$ —	$ 2	$ 8
LIFO inventory	590	(85)	—	—	505
Environmental contingencies	39	2	370	17	394
Deferred tax valuation allowance	42	—	173	—	215
	$ 679	$ (81)	$ 543	$ 19	$ 1,122

23. RECENTLY ISSUED ACCOUNTING STANDARDS

In April 2014, the Financial Accounting Standards Board ("FASB") issued amended accounting guidance for discontinued operations. The amendments improve the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on any entity's operations and financial results. Examples of a strategic shift that has (or will have) a major effect on an entity's operations and financial results could include a disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity. The amendments require an entity to present, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation separately in the assets and liability sections, respectively, of the statement of financial position. In addition to enhanced disclosures for discontinued operations, disclosures are required for disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements. This guidance is effective prospectively for reporting periods beginning on or after December 15, 2014. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued or available for issuance. The Company has concluded that changes in its accounting required by this new guidance will not materially impact the Company's future accounting for any discontinued operations or its financial position or results of operations.

In May 2014, the FASB and International Accounting Standards Board jointly issued new principles-based accounting guidance for revenue recognition that will supersede virtually all existing revenue guidance. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To achieve the core principle, the guidance establishes the following five steps: 1) identify the contract(s) with a customer, 2) identify the performance obligation in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance also details the accounting treatment for costs to obtain or fulfill a contract. Lastly, disclosure requirements have been enhanced to provide sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The Company is currently evaluating the impact this new guidance is expected to have on the Company's financial position or results of operations and related disclosures.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures
Eastman Chemical Company ("Eastman" or the "Company") maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that as of December 31, 2014, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed was accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. Management, including the CEO and CFO, does not expect that the Company's disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance; judgments in decision-making can be faulty; and breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and while the Company's disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and not be detected.

Management's Report on Internal Control Over Financial Reporting
Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and acquisitions and dispositions of assets of the Company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of its internal control over financial reporting as of December 31, 2014 based on the framework established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has determined that the Company's internal control over financial reporting was effective as of December 31, 2014.

Management has elected to exclude the non-integrated Taminco Corporation and Commonwealth Laminating and Coating, Inc. 2014 acquisitions from its assessment of internal control over financial reporting during the year of acquisition. The assets acquired in 2014 represented 25 percent of the Company's consolidated total assets as of December 31, 2014 and sales represented one percent of the Company's consolidated sales for the year ended December 31, 2014.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

<u>Changes in Internal Control Over Financial Reporting</u>
There has been no change in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2014 that has materially affected, or is reasonably likely to materially effect, the Company's internal control over financial reporting. The Company continues its integration of the acquired Taminco and Commonwealth businesses.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The material under the heading "Proposals to be Voted On at the Annual Meeting--Item 1--Election of Directors" to (but not including) the subheading "The Board of Directors and Corporate Governance" and under the subheading "Board Committees--Audit Committee" (except for the material under the subheading "Board Committees--Audit Committee--Audit Committee Report", which is not incorporated by reference herein), each as included and to be filed in the 2015 Proxy Statement, is incorporated by reference herein in response to this Item. Certain information concerning executive officers of the Company is set forth under the heading "Executive Officers of the Company" in Part I of this Annual Report on Form 10-K.

The Company has adopted a Code of Ethics and Business Conduct applicable to the Chief Executive Officer, the Chief Financial Officer, and the Controller of the Company. The Company has posted such Code of Ethics and Business Conduct on its Internet website (www.eastman.com) in the "Investors -- Corporate Governance" section.

ITEM 11. EXECUTIVE COMPENSATION

The material under the heading "Proposals to be Voted On at the Annual Meeting--Item 1--Election of Directors—Board Committees – Compensation and Management Development Committee – Compensation Committee Report", under the subheading "Director Compensation", and under the heading "Executive Compensation", each as included and to be filed in the 2015 Proxy Statement, is incorporated by reference herein in response to this Item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The material under the headings "Stock Ownership of Directors and Executive Officers--Common Stock" and "Principal Stockholders" as included and to be filed in the 2015 Proxy Statement is incorporated by reference herein in response to this Item.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plans Approved by Stockholders

Stockholders approved the Company's 2002 and 2007 Omnibus Long-Term Compensation Plans, the 2012 Omnibus Stock Compensation Plan, and the 2002 Director Long-Term Compensation Plan. Although stock and stock-based awards are still outstanding under the 2002 and 2007 Omnibus Long-Term Compensation Plans, the 2002 Director Long-Term Compensation Plan, and the 2007 Director Long-Term Compensation Subplan, a component of the 2007 Omnibus Long-Term Compensation Plan, no new shares are available under these plans for future awards. All future share-based awards will be made from the 2012 Omnibus Stock Compensation Plan and the 2013 Director Stock Compensation Subplan, a component of the 2012 Omnibus Stock Compensation Plan.

Equity Compensation Plans Not Approved by Stockholders

Stockholders have approved all compensation plans under which shares of Eastman common stock are authorized for issuance.

Summary Equity Compensation Plan Information Table

The following table sets forth certain information as of December 31, 2014 with respect to compensation plans under which shares of Eastman common stock may be issued.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options (a)	Weighted-Average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities reflected in Column (a)) (c)
Equity compensation plans approved by stockholders	2,209,800 [(1)]	$ 46	7,271,093 [(2)]
Equity compensation plans not approved by stockholders	—	—	—
TOTAL	2,209,800	$ 46	7,271,093

(1) Represents shares of common stock issuable upon exercise of outstanding options granted under Eastman Chemical Company's 2002 and 2007 Omnibus Long-Term Compensation Plans; the 2002 Director Long-Term Compensation Plan; the 2007 Director Long-Term Compensation Subplan, a component of the 2007 Omnibus Long-Term Compensation Plan, and the 2012 Omnibus Stock Compensation Plan.

(2) Shares of common stock available for future awards under the Company's 2012 Omnibus Stock Compensation Plan, including the 2013 Director Stock Compensation Subplan, a component of the 2012 Omnibus Stock Compensation Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The material under the heading "Proposals to be Voted On at the Annual Meeting--Item 1--Election of Directors", subheadings "Director Independence" and "Transactions with Directors, Executive Officers, and Related Persons", each as included and to be filed in the 2015 Proxy Statement, is incorporated by reference herein in response to this Item.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information concerning amounts billed for professional services rendered by the principal accountant and pre-approval of such services by the Audit Committee of the Company's Board of Directors under the heading "Item 3 - Ratification of Appointment of Independent Auditors" as included and to be filed in the 2015 Proxy Statement is incorporated by reference herein in response to this Item.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Eastman Chemical Company

By: /s/ Mark J. Costa

Mark J. Costa
Chief Executive Officer

Date: February 27, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
PRINCIPAL EXECUTIVE OFFICER AND DIRECTOR:		
/s/ Mark J. Costa Mark J. Costa	Chief Executive Officer and Director	February 27, 2015
PRINCIPAL FINANCIAL OFFICER:		
/s/ Curtis E. Espeland Curtis E. Espeland	Executive Vice President and Chief Financial Officer	February 27, 2015
PRINCIPAL ACCOUNTING OFFICER:		
/s/ Scott V. King Scott V. King	Vice President, Finance and Chief Accounting Officer	February 27, 2015

SIGNATURE	TITLE	DATE
DIRECTORS (other than Mark J. Costa, who also signed as Principal Executive Officer):		
/s/ Humberto P. Alfonso Humberto P. Alfonso	Director	February 27, 2015
/s/ Gary E. Anderson Gary E. Anderson	Director	February 27, 2015
/s/ Brett D. Begemann Brett D. Begemann	Director	February 27, 2015
/s/ Michael P. Connors Michael P. Connors	Director	February 27, 2015
/s/ Stephen R. Demeritt Stephen R. Demeritt	Director	February 27, 2015
/s/ Robert M. Hernandez Robert M. Hernandez	Director	February 27, 2015
/s/ Julie F. Holder Julie F. Holder	Director	February 27, 2015
/s/ Renée J. Hornbaker Renée J. Hornbaker	Director	February 27, 2015
/s/ Lewis M. Kling Lewis M. Kling	Director	February 27, 2015
/s/ David W. Raisbeck David W. Raisbeck	Director	February 27, 2015

EASTMAN

EXHIBIT INDEX

Exhibit Number	Description	Sequential Page Number
3.01	Amended and Restated Certificate of Incorporation of Eastman Chemical Company (incorporated herein by reference to Exhibit 3.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012)	
3.02	Amended and Restated Bylaws of Eastman Chemical Company	151
4.01	Form of Eastman Chemical Company common stock certificate as amended February 1, 2001 (incorporated herein by reference to Exhibit 4.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001)	
4.02	Indenture, dated as of January 10, 1994, between Eastman Chemical Company and The Bank of New York, as Trustee (the "Indenture") (incorporated herein by reference to Exhibit 4(a) to the Company's Current Report on Form 8-K dated January 10, 1994)	
4.03	Indenture, dated as of June 5, 2012, between Eastman Chemical Company and Wells Fargo Bank, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 5, 2012)	
4.04	Form of 7 1/4% Debentures due January 15, 2024 (incorporated herein by reference to Exhibit 4(d) to the Company's Current Report on Form 8-K dated January 10, 1994)	
4.05	Officers' Certificate pursuant to Sections 201 and 301 of the Indenture related to 7 5/8% Debentures due 2024 (incorporated herein by reference to Exhibit 4(a) to the Company's Current Report on Form 8-K dated June 8, 1994)	
4.06	Form of 7 5/8% Debentures due June 15, 2024 (incorporated herein by reference to Exhibit 4(b) to the Company's Current Report on Form 8-K dated June 8, 1994)	
4.07	Form of 7.60% Debentures due February 1, 2027 (incorporated herein by reference to Exhibit 4.08 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996)	
4.08	Officer's Certificate pursuant to Sections 201 and 301 of the Indenture related to 7.60% Debentures due February 1, 2027 (incorporated herein by reference to Exhibit 4.09 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006)	
4.09	Form of 5.500% Note due 2019 (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 2, 2009)	
4.10	Form of 6.30% Note due 2018 (incorporated herein by reference to Exhibit 4.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003)	
4.11	Form of 3% Note due 2015 (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 10, 2010)	
4.12	Form of 4.5% Note due 2021 (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated December 10, 2010)	
4.13	Form of 2.4% Note due 2017 (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated June 5, 2012)	
4.14	Form of 3.6% Note due 2022 (incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated June 5, 2012)	
4.15	Form of 4.8% Note due 2042 (incorporated herein by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K dated June 5, 2012)	
4.16	Form of 4.65% Note due 2044 (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 15, 2014)	
4.17	Form of 2.70% Note due 2020 (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated November 20, 2014)	
4.18	Form of 3.80% Note due 2025 (replaces and corrects Exhibit 4.3 to the Company's Current Report on Form 8-K dated November 20, 2014)	161

EXHIBIT INDEX

Exhibit Number	Description	Sequential Page Number
10.01	Accounts Receivable Securitization Agreement dated July 9, 2008 (amended February 18, 2009, July 9, 2009, July 7, 2010, January 31, 2011, July 6, 2011, April 30, 2012, August 1, 2013, and August 29, 2014), between the Company and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as agent (incorporated herein by reference to Exhibit 4.09 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, Exhibit 4.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, Exhibit 4.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010, Exhibit 4.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2013, and Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014)	
10.02	Second Amended and Restated Five-Year Credit Agreement, dated as of October 9, 2014, among Eastman Chemical Company, the initial lenders named therein, and Citibank N.A., as administrative agent, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, as joint lead arrangers (incorporated herein by reference to Exhibit 10.03 to the Company's Current Report on Form 8-K dated October 9, 2014)	
10.03	Five-Year Senior Term Loan Credit Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 9, 2014)	
10.04	Amended and Restated Non-Recourse Accounts Receivable Purchase Agreement(incorporated herein by reference to Exhibit 10.8 to Taminco Corporation Amendment No. 1 to Registration Statement on Form S-1, File No. 333-185244, filed with the SEC January 18, 2013)	
10.05**	Eastman Excess Retirement Income Plan (incorporated herein by reference to Exhibit 10.02 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008)	
10.06**	Form of Executive Change in Control Severance Agreements (incorporated herein by reference to Exhibit 10.02 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010)	
10.07**	Eastman Unfunded Retirement Income Plan (incorporated herein by reference to Exhibit 10.04 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008)	
10.08**	2002 Omnibus Long-Term Compensation Plan, as amended (incorporated herein by reference to Exhibit 10.02 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007)	
10.09**	2002 Director Long-Term Compensation Plan, as amended (incorporated herein by reference to Appendix B to Eastman Chemical Company's 2002 Annual Meeting Proxy Statement)	
10.10**	Eastman Chemical Company Benefit Security Trust dated December 24, 1997, as amended May 1, 1998 and February 1, 2001 and Amendment Number Three to the Eastman Chemical Company Benefit Security Trust dated January 2, 2002 (incorporated herein by reference to Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 and Exhibit 10.04 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002)	
10.11**	Amended and Restated Warrant to Purchase Shares of Common Stock of Eastman Chemical Company, dated January 2, 2002 (incorporated herein by reference to Exhibit 10.02 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002)	
10.12**	Amended and Restated Registration Rights Agreement, dated January 2, 2002 (incorporated herein by reference to Exhibit 10.03 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002)	
10.13**	Amended and Restated Eastman Executive Deferred Compensation Plan	170
10.14**	Amended and Restated Eastman Directors' Deferred Compensation Plan	184

EASTMAN

EXHIBIT INDEX

Exhibit Number	Description	Sequential Page Number
10.15**	Eastman Unit Performance Plan as amended and restated effective December 5, 2012 (incorporated herein by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)	
10.16**	Form of Indemnification Agreements with Directors and Executive Officers (incorporated herein by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003)	
10.17**	Forms of Award Notice for Stock Options Granted to Executive Officers under the 2002 Omnibus Long-Term Compensation Plan (incorporated herein by reference to Exhibit 10.03 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 and Exhibits 10.01 and 10.02 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006)	
10.18**	Forms of Award Notices for Stock Options Granted to Executive Officers under the 2007 Omnibus Long-Term Compensation Plan (incorporated herein by reference to Exhibit 10.08 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, Exhibits 10.01 and 10.02 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, and Exhibits 10.01 and 10.02 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010)	
10.19**	1997 Omnibus Long-Term Compensation Plan (incorporated herein by reference to Exhibit 10.03 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007)	
10.20**	2007 Omnibus Long-Term Compensation Plan (incorporated herein by reference to Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007)	
10.21**	Forms of Performance Share Awards to Executive Officers (2012 – 2014 Performance Period) (incorporated herein by reference to Exhibit 10.02 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011)	
10.22**	Forms of Performance Share Awards to Executive Officers (2013 – 2015 Performance Period) (incorporated herein by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)	
10.23**	Forms of Performance Share Awards to Executive Officers (2014 – 2016 Performance Period) (incorporated herein by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013)	
10.24**	Forms of Performance Share Awards to Executive Officers (2015 – 2017 Performance Period)	196
10.25**	2007 Director Long-Term Compensation Subplan of the 2007 Omnibus Long-Term Compensation Plan (incorporated herein by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007)	
10.26**	UPP performance measures and goals, specific target objectives with respect to such performance goals, the method for computing the amount of the UPP award allocated to the award pool if the performance goals are attained, and the eligibility criteria for employee participation in the UPP, for the 2014 performance year (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 4, 2013)	
10.27**	UPP performance measures and goals, specific target objectives with respect to such performance goals, the method for computing the amount of the UPP award allocated to the award pool if the performance goals are attained, and the eligibility criteria for employee participation in the UPP, for the 2015 performance year (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 3, 2014)	
10.28**	2012 Omnibus Stock Compensation Plan (incorporated herein by reference to Appendix A to the Company's 2012 Annual Meeting Proxy Statement)	
10.29**	2012 Director Stock Compensation Subplan of the 2012 Omnibus Stock Compensation Plan and Form of Restricted Stock Award Notice (incorporated herein by reference to Exhibit 10.06 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012)	

EASTMAN

EXHIBIT INDEX

Exhibit Number	Description	Sequential Page Number
10.30**	Forms of Award Notices for Stock Options and Stock Appreciation Rights Granted to Executive Officers under the 2012 Omnibus Stock Compensation Plan (incorporated herein by reference to Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013)	
10.31**	2013 Director Stock Compensation Subplan of the 2012 Omnibus Stock Compensation Plan and Form of Restricted Stock Award Notice (incorporated herein by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)	
10.32**	Eastman Chemical Company Executive Incentive Pay Clawback Policy (incorporated herein by reference to Exhibit 10.01 to the Company's Current Report on Form 8-K dated February 3, 2015)	
10.33**	Form of Restricted Stock Unit Award to Curtis E. Espeland on January 1, 2015	219
10.34**	Form of Restricted Stock Unit Award to David A. Golden and one other Executive Officer on February 18, 2015	221
12.01	Statement re: Computation of Ratios of Earnings (Loss) to Fixed Charges	223
21.01	Subsidiaries of the Company	224
23.01	Consent of Independent Registered Public Accounting Firm	229
31.01	Rule 13a – 14(a) Certification by Mark J. Costa, Chief Executive Officer, for the year ended December 31, 2014	230
31.02	Rule 13a – 14(a) Certification by Curtis E. Espeland, Executive Vice President and Chief Financial Officer, for the year ended December 31, 2014	231
32.01	Section 1350 Certification by Mark J. Costa, Chief Executive Officer, for the year ended December 31, 2014	232
32.02	Section 1350 Certification by Curtis E. Espeland, Executive Vice President and Chief Financial Officer, for the year ended December 31, 2014	233
99.01	Product and Raw Material Information	234
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema	
101.CAL	XBRL Taxonomy Calculation Linkbase	
101.LAB	XBRL Taxonomy Label Linkbase	
101.PRE	XBRL Definition Linkbase Document	
101.DEF	XBRL Definition Linkbase Document	

* Schedules and exhibits have been omitted from this exhibit pursuant to Item 601(b)(2) of Regulation S-K and are not filed herewith. The Registrant agrees to furnish supplementally a copy of the omitted schedules and exhibits to the SEC upon request.

** Management contract or compensatory plan or arrangement filed pursuant to Item 601(b) (10) (iii) of Regulation S-K.

Exhibit 3.02

EASTMAN CHEMICAL COMPANY BYLAWS

SECTION I

Capital Stock

Section 1.1. Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed in the name of the Corporation by the Chairman of the Board of Directors, the Chief Executive Officer, or the Vice Chairman or a Vice President, and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation certifying the number of shares in the Corporation owned by such holder. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent, or registrar at the date of issue.

Section 1.2. Record Ownership. A record of the name and address of the holder of each certificate, the number of shares represented thereby and the date of issue thereof shall be made on the Corporation's books. The Corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice thereof, except as required by the laws of the State of Delaware.

Section 1.3. Transfer of Record Ownership. Transfers of stock shall be made on the books of the Corporation only by direction of the person named in the certificate or such person's attorney, lawfully constituted in writing, and only upon the surrender of the certificate therefor and a written assignment of the shares evidenced thereby, which certificate shall be canceled before the new certificate is issued.

Section 1.4. Lost Certificates. Any person claiming a stock certificate in lieu of one lost, stolen or destroyed shall give the Corporation an affidavit as to such person's ownership of the certificate and of the facts which go to prove its loss, theft or destruction. Such person shall also, if required by policies adopted by the Board of Directors, give the Corporation a bond, in such form as may be approved by the Corporation, sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss of the certificate or the issuance of a new certificate.

Section 1.5. Transfer Agents; Registrars; Rules Respecting Certificates. The Board of Directors may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars. The Board of Directors may make such further rules and regulations as it may deem expedient concerning the issue, transfer and registration of stock certificates of the Corporation.

Section 1.6. Record Date. The Board of Directors may fix in advance a future date, not exceeding 60 days (nor, in the case of a stockholders' meeting, less than ten days) preceding the date of any meeting of stockholders, payment of dividend or other distribution, allotment of rights, or change, conversion or exchange of capital stock or for the purpose of any other lawful action, as the record date for determination of the stockholders entitled to notice of and to vote at any such meeting and any adjournment thereof, or to receive any such dividend or other distribution or allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to participate in any such other lawful action, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of and to vote at such meeting and any adjournment thereof, or to receive such dividend or other distribution or allotment of rights, or to exercise such rights, or to participate in any such other lawful action, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

SECTION II

Meetings of Stockholders

Section 2.1. Annual. The annual meeting of stockholders for the election of directors and the transaction of such other proper business shall be held on the first Thursday in May, unless otherwise specified by resolution adopted by the Board of Directors, and at the time and place, within or without the State of Delaware, as determined by the Board of Directors.

Section 2.2. Special. (a) Special meetings of stockholders for any purpose or purposes may be called only by the Board of Directors, (i) pursuant to a resolution adopted by a majority of the members of the Board of Directors then in office, or (ii) upon the written request of the holders of at least twenty-five percent of the outstanding voting stock of the Corporation (a "Request") in accordance with the requirements set forth in Section 2.2(b) hereof.

(b) Any Request shall set forth with particularity (i) the names and business addresses of the stockholder or stockholders requesting the meeting (each a "Meeting Proponent") and all Persons (as such term is defined in Article V of the Certificate of Incorporation) acting in concert with any Meeting Proponent; (ii) the name and address of each Meeting Proponent and the Persons identified in clause (i), as they appear on the Corporation's books (if they so appear); (iii) the class and number of shares of the Corporation beneficially owned by each Meeting Proponent and the Persons identified in clause (i); (iv) the text of the proposal or business (including the text of any resolutions proposed for consideration and, if the business includes a proposal to amend these Bylaws or the Certificate of Incorporation, the language of the proposed amendment); and (v) all arrangements or understandings between each Meeting Proponent and any other Persons, including their names, in connection with the proposed business of the special meeting and any material interest of each Meeting Proponent in such business. Except as permitted in Section 2.2(c), the only business that may be conducted at the special meeting shall be the business proposed in the Request. The Request shall be delivered personally or sent by registered mail to the Secretary of the Corporation at its principal executive offices. If the Board of Directors determines that the Request complies with the Certificate of Incorporation and the provisions of these Bylaws and that the proposal to be considered or business to be conducted is a proper subject for stockholder action under applicable law, the Board of Directors shall call and send notice of a special meeting for the purpose set forth in the Request in accordance with Section 2.3 of these Bylaws. The Board of Directors shall determine the date for such special meeting, which date shall be not later than 90 days following the Corporation's receipt of the Request, and the record date(s) for stockholders entitled to notice of and to vote at such special meeting.

(c) Special meetings may be held at any place, within or without the State of Delaware, as determined by the Board of Directors. The only business which may be conducted at a special meeting, other than procedural matters and matters relating to the conduct of the special meeting, shall be the matter or matters described in the notice of the meeting.

Section 2.3. Notice. Notice of each meeting of stockholders, shall be made in writing, or electronically to such stockholders as have consented to the receipt of such notice by electronic means, or by any such other means permitted by the Delaware General Corporation Law. Such notice shall state the date, time, place and, in the case of a special meeting, the purpose thereof, shall be given as provided by law by the Secretary or an Assistant Secretary not less than ten days nor more than 60 days before such meeting (unless a different time is specified by law) to every stockholder entitled by law to notice of such meeting.

Section 2.4. List of Stockholders. A complete list of the stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder, shall be prepared by the Secretary. Such list shall be available for examination of any stockholder, for any purpose germane to the meeting, either on a reasonably accessible electronic network or, during normal business hours, at the Corporation's principal place of business, for at least ten days before the meeting and at the place of the meeting during the whole time of the meeting. In the event that such list is to be made available on an electronic network, the notice of meeting given under Section 2.3 hereof shall provide the information required to gain access to such list.

Section 2.5. Quorum. The holders of shares of stock entitled to cast a majority of the votes on the matters at issue at a meeting of stockholders, present in person or represented by proxy, shall constitute a quorum, except as otherwise required by the Delaware General Corporation Law. In the event of a lack of a quorum, the chairman of the meeting or a majority in interest of the stockholders present in person or represented by proxy may adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum shall be obtained. At any such adjourned meeting at which there is a quorum, any business may be transacted that might have been transacted at the meeting originally called.

Section 2.6. Organization and Procedure. (a) The Chairman of the Board, the Chief Executive Officer, or such other officer of the Corporation designated by a majority of the directors that the Corporation would have if there were no vacancies on the Board of Directors (the "Whole Board"), will call meetings of the stockholders to order and will act as presiding officer thereof. Unless otherwise determined prior to the meeting by a majority of the Whole Board, the presiding officer of the meeting of the stockholders will have the right and the authority to determine and maintain the rules, regulations and procedures for the proper conduct of the meeting, including, without limitation, restricting entry to the meeting after it has commenced, maintaining order and the safety of those in attendance, opening and closing the polls for voting, dismissing business or proposals not properly submitted, limiting the time allowed for discussion of the business of the meeting, restricting the persons (other than stockholders of the Corporation or their duly appointed proxies) that may attend the meeting, and ascertaining whether any stockholder or proxy holder may be excluded from the meeting based upon any determination by the presiding officer, in his or her sole discretion, that the stockholder or proxy holder is unduly disruptive or is likely to disrupt the meeting. The Secretary of the Corporation shall act as secretary, but in the absence of the Secretary, the presiding officer may appoint a secretary.

(b) At an annual meeting of the stockholders, only such business will be conducted or considered as is properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given in accordance with these bylaws, (ii) brought before the meeting by the presiding officer or by or at the direction of a majority of the Whole Board, or (iii) otherwise properly requested to be brought before the meeting by a stockholder of the Corporation in accordance with these bylaws.

(c) At a special meeting of stockholders, only such business may be conducted or considered as is properly brought before the meeting. To be properly brought before a special meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given in accordance with these bylaws or (ii) brought before the meeting by the presiding officer or by or at the direction of a majority of the Whole Board. The determination of whether any business sought to be brought before any annual or special meeting of the stockholders is properly brought before such meeting will be made by the presiding officer of the meeting. If the presiding officer determines that any business is not properly brought before such meeting, he or she will so declare at the meeting and any such business will not be conducted or considered.

Section 2.7. Stockholder Nominations and Proposals. (a) No proposal for a stockholder vote shall be submitted by a stockholder (a "Stockholder Proposal") to the Corporation's stockholders unless the stockholder submitting such proposal (the "Proponent") shall have filed a written notice setting forth with particularity (i) the names and business addresses of the Proponent and all Persons (as such term is defined in Article V of the Certificate of Incorporation) acting in concert with the Proponent; (ii) the name and address of the Proponent and the Persons identified in clause (i), as they appear on the Corporation's books (if they so appear); (iii) the class and number of shares of the Corporation beneficially owned by the Proponent and the Persons identified in clause (i); (iv) a description of the Stockholder Proposal containing all material information relating thereto; and (v) such other information as the Board of Directors reasonably determines is necessary or appropriate to enable the Board of Directors and stockholders of the Corporation to consider the Stockholder Proposal. The presiding officer at any stockholders' meeting may determine that any Stockholder Proposal was not made in accordance with the procedures prescribed in these Bylaws or is otherwise not in accordance with law, and if it is so determined, such officer shall so declare at the meeting and the Stockholder Proposal shall be disregarded.

(b) Only persons who are selected and recommended by the Board of Directors or the committee of the Board of Directors designated to make recommendations, or who are nominated by stockholders in accordance with the procedures set forth in this Section 2.7 (a "Stockholder Nomination"), shall be eligible for election, or qualified to serve, as directors. Nominations of individuals for election to the Board of Directors of the Corporation at any annual meeting or any special meeting of stockholders at which directors are to be elected may be made by any stockholder of the Corporation entitled to vote for the election of directors at that meeting by compliance with the procedures set forth in this Section 2.7. Nominations by stockholders shall be made by written notice (a "Nomination Notice"), which shall set forth (i) as to each individual nominated, (A) the name, date of birth, business address and residence address of such individual; (B) the business experience during the past five years of such nominee, including his or her principal occupations and employment during such period, the name and principal business of any corporation or other organization in which such occupations and employment were carried on, and such other information as to the nature of his or her responsibilities and level of professional competence as may be sufficient to permit assessment of his or her prior business experience; (C) whether the nominee is or has ever been at any time a director, officer or owner of 5% or more of any class of capital stock, partnership interests or other equity interest of any corporation, partnership or other entity; (D) any directorships currently held, or held within the preceding five years, by such nominee in any company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, or subject to the requirements of Section 15(d) of such Act or any company registered as an investment company under the Investment Company Act of 1940, as amended; (E) whether, in the last ten years, such nominee has been convicted in a criminal proceeding or has been subject to a judgment, order, finding or decree of any federal, state or other governmental entity, concerning any violation of federal, state or other law, or any proceeding in bankruptcy, which conviction, order, finding, decree or proceeding may be material to an evaluation of the ability or integrity of the nominee; (F) whether the nominee is a party to any compensatory, payment or other financial agreement, arrangement or understanding with any person or entity other than the Corporation, or has received any such compensation or other payment from any person or entity other than the Corporation, in each case in connection with candidacy or service as a director of the Corporation (a "Third-Party Compensation Arrangement"); and (G) all information relevant to a determination of the nominee's status as to "independence," including references to the criteria established by the New York Stock Exchange (or any other exchange or quotation system on which the Corporation's equity securities are then listed or quoted) and the Corporation's Corporate Governance Guidelines, in each case as in effect at the time of such Stockholder Nomination; (ii) as to the Person submitting the Nomination Notice and any Person acting in concert with such Person, (x) the name and business address of such Person, (y) the name and address of such Person as they appear on the Corporation's books (if they so appear), and (z) the class and number of shares of the Corporation that are beneficially owned by such Person; and (iii) if the Person submitting the Nomination Notice is seeking to have the nominee included as such in the Corporation's proxy statement for the Stockholder Nomination, the information required by Rule 14a-11 under the Securities Exchange Act of 1934. The Nomination Notice shall include (1) a written consent to being named in a proxy statement as a nominee, and to serve as a director if elected, signed by the nominee, and (2) a written representation and agreement (in the form provided by the Secretary upon written request) signed by the nominee that the nominee is not and will not become a party to any Third-Party Compensation Arrangement that has not been disclosed to the Corporation. If the presiding officer at any stockholders' meeting determines that a nomination was not made in accordance with the procedures prescribed by these Bylaws, he shall so declare to the meeting and the defective nomination shall be disregarded.

(c) In the case of an annual meeting of stockholders, Nomination Notices and Stockholder Proposals shall be delivered to the Secretary at the principal executive office of the Corporation no earlier than 150 days and not later than 120 days prior to the date on which the notice of the immediately preceding year's annual meeting of stockholders was first sent to the stockholders of the Corporation. In the case of a special meeting of stockholders, Nomination Notices and Stockholder Proposals shall be delivered to the Secretary at the principal executive office of the Corporation no later than the close of business on the 15th day following the day on which notice of the date of a special meeting of stockholders was given.

Section 2.8. Voting. Unless otherwise provided in a resolution or resolutions providing for any class or series of Preferred Stock pursuant to Article IV of the Certificate of Incorporation or by the Delaware General Corporation Law, each stockholder shall be entitled to one vote, in person or by proxy, for each share held of record by such stockholder who is entitled to vote generally in the election of directors. Each stockholder voting by proxy shall grant such authority in writing, by electronic or telephonic transmission or communication, or by any such other means permitted by the Delaware General Corporation Law. All questions, including elections for the Board of Directors, shall be decided by a majority of the votes cast, except as otherwise required by the Delaware General Corporation Law or as provided for in the Certificate of Incorporation or these Bylaws. Abstentions shall not be considered to be votes cast. For purposes of this Bylaw, a majority of votes cast shall mean that the number of shares voted "for" a director's election exceeds 50% of the number of votes cast with respect to that director's election or, in the case where the number of nominees exceeds the number of directors to be elected, cast with respect to election of directors generally. Votes cast shall include votes to withhold authority in each case and exclude abstentions with respect to that director's election, or, in the case where the number of nominees exceeds the number of directors to be elected, abstentions with respect to election of directors generally.

If a nominee for director who is an incumbent director is not elected and no successor has been elected at such meeting, the director shall promptly tender his or her resignation to the Board of Directors. The Nominating and Corporate Governance Committee of the Board of Directors shall make a recommendation to the Board of Directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board of Directors shall act on the tendered resignation, taking into account the Nominating and Corporate Governance Committee's recommendation, and publicly disclose (by a press release, a filing with the Securities and Exchange Commission, or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale for the decision within 90 days from the date of the certification of the election results. The Nominating and Corporate Governance Committee in making its recommendation, and the Board of Directors in making its decision, may each consider any factors or other information that it considers appropriate and relevant. The director who tenders his or her resignation will not participate in the recommendation of the Nominating and Corporate Governance Committee or the decision of the Board of Directors with respect to his or her resignation. If such incumbent director's resignation is not accepted by the Board of Directors, such director shall continue to serve until the next annual meeting of stockholders at which such director’s term expires and until his or her successor is duly elected, or his or her earlier resignation and removal. If a director's resignation is accepted by the Board of Directors pursuant to this Bylaw, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board of Directors, in its sole discretion, may fill any resulting vacancy or may decrease the size of the Board of Directors pursuant to the Delaware General Corporation Law and the Certificate of Incorporation and these Bylaws of the Company.

Section 2.9. Inspectors. The Board of Directors by resolution shall, in advance of any meeting of stockholders, appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives of the Corporation, to act at the meeting and make a written report thereof. One or more persons may be designated by the Board of Directors as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by the Delaware General Corporation Law.

SECTION III

Board of Directors

Section 3.1. Number and Qualifications. The business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors. The number of directors constituting the Board of Directors shall be as authorized from time to time exclusively by a vote of a majority of the members of the Board of Directors then in office. A person who is not serving as a director shall not be eligible for nomination, appointment, or election if such person has or will have reached age 75 on the date of his or her appointment or election, and any director reaching the age of 75 during any term of office shall continue to be qualified to serve as a director only until the next annual meeting of stockholders following his or her 75th birthday.

Section 3.2. Resignation. A director may resign at any time by giving notice, in writing, by electronic transmission or by any other means permitted by the Delaware General Corporation Law, to the Chairman of the Board or to the Secretary. Unless otherwise stated in such notice of resignation, the acceptance thereof shall not be necessary to make it effective; and such resignation shall take effect at the time specified therein or, in the absence of such specification, it shall take effect upon the receipt thereof.

Section 3.3. Regular Meetings. Regular meetings of the Board of Directors may be held without further notice at such time as shall from time to time be determined by the Board of Directors. Unless otherwise determined by the Board of Directors, the locations of the regular meetings of the Board of Directors shall be in Kingsport, Tennessee. A meeting of the Board of Directors for the election of officers and the transaction of such other business as may come before it may be held without notice immediately following the annual meeting of stockholders.

Section 3.4. Special Meetings. Special meetings of the full Board of Directors may be called by the Chairman of the Board, the Lead Director, or the Vice Chairman. Special meetings of the non-employee, independent directors may be called by the Lead Director. Special meetings of the Board of Directors or of the non-employee, independent directors also may be called at the request in writing of one-third of the members of the Board of Directors then in office.

Section 3.5. Notice of Special Meetings. Notice of the date, time and place of each special meeting shall be mailed by regular mail to each director at his designated address at least six days before the meeting; or sent by overnight courier to each director at his designated address at least two days before the meeting (with delivery scheduled to occur no later than the day before the meeting); or given orally by telephone or other means, or by telegraph or telecopy, or by any other means comparable to any of the foregoing, to each director, as applicable, at his designated address at least 24 hours before the meeting; provided, however, that if less than five days' notice is provided and one third of the members of the Board of Directors then in office, or one-third of the number of non-employee, independent directors (in the case of a meeting of such directors) object in writing prior to or at the commencement of the meeting, such meeting shall be postponed until five days after such notice was given pursuant to this sentence (or such shorter period to which a majority of those who objected in writing agree), provided that notice of such postponed meeting shall be given in accordance with this Section 3.5. The notice of the special meeting shall state the general purpose of the meeting, with no other routine business conducted at the special meeting without such matter being stated in the notice.

Section 3.6. Place of Meetings. The Board of Directors may hold their meetings and have an office or offices inside or outside of the State of Delaware.

Section 3.7. Telephonic Meeting and Participation. Any or all of the directors may participate in a meeting of the Board of Directors or any committee thereof by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at the meeting.

Section 3.8 Action by Directors Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the full Board of Directors, the non-employee, independent directors, or of any committee thereof, may be taken without a meeting if all members of the Board, the non-employee, independent directors, or of such committee, as the case may be, consent thereto in writing, by electronic transmission, or by any other means permitted by the Delaware General Corporation Law, and the writing or writings or, if the consent action is taken by electronic transmission, paper reproductions of such electronic transmissions, are filed with the minutes of proceedings of the Board or committee.

Section 3.9. Quorum and Adjournment. A majority of the directors then holding office, or a majority of non-employee, independent directors then in office, for purposes of a meeting of such directors, shall constitute a quorum. The vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, or of the non-employee, independent directors, as the case may be. Whether or not a quorum is present to conduct a meeting, any meeting of the Board of Directors, or of the non-employee, independent directors, as the case may be (including an adjourned meeting) may be adjourned by a majority of the directors present, to reconvene at a specific time and place. It shall not be necessary to give to the directors present at the adjourned meeting notice of the reconvened meeting or of the business to be transacted, other than by announcement at the meeting that was adjourned; provided, however, notice of such reconvened meeting, stating the date, time, and place of the reconvened meeting, shall be given to the directors not present at the adjourned meeting in accordance with the requirements of Section 3.5 hereof.

Section 3.10. Organization. The Chairman of the Board, or, in the absence of the Chairman of the Board, the Lead Director or the Vice Chairman, or in the absence of the Lead Director or Vice Chairman, a member of the Board selected by the members present, shall preside at meetings of the Board. The Secretary of the Corporation shall act as secretary, but in the absence of the Secretary, the presiding officer may appoint a secretary.

Section 3.11. Compensation of Directors. Directors shall receive such compensation for their services as the Board of Directors may determine. Any director may serve the Corporation in any other capacity and receive compensation therefor.

Section 3.12. Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors when a vote on any matter is taken is deemed to have assented to the action taken unless he votes against or abstains from the action taken, or unless at the beginning of the meeting or promptly upon arrival the director objects to the holding of the meeting or transacting specified business at the meeting. Any such dissenting votes, abstentions or objections shall be entered in the minutes of the meeting.

SECTION IV

Chairman, Lead Director, and Committees of the Board of Directors

Section 4.1. Chairman. The Board of Directors shall, by resolution passed by a majority of the members of the Board of Directors, designate a member of the Board of Directors to serve as Chairman. The Chairman of the Board may also be the Chief Executive Officer, or other officer of the Corporation, and shall have such powers and perform such duties as may be provided for herein, and as may be incident to the office and as may be assigned by the Board of Directors.

Section 4.2. Lead Director. If the Chairman is the Chief Executive Officer or other officer or employee of the Corporation or is not an independent (as determined by the Board of Directors) director, the non-employee, independent directors, by resolution passed by a majority of the non-employee, independent members of the Board of Directors, shall designate a non-employee, independent member of the Board of Directors to serve as Lead Director. The Lead Director shall have such powers and perform such duties as may be provided for herein and as may be incident to the office and as may be assigned by the non-employee, independent members of Board of Directors.

Section 4.3. Committees. The Board of Directors shall, by resolutions passed by a majority of the members of the Board of Directors, designate members of the Board of Directors to constitute committees which shall in each case consist of such number of directors, and shall have and may execute such powers as may be determined and specified in the respective resolutions appointing them. Any such committee may fix its rules of procedure, determine its manner of acting and the time and place, whether within or without the State of Delaware, of its meetings and specify what notice thereof, if any, shall be given, unless the Board of Directors shall otherwise by resolution provide. Unless otherwise provided by the Board of Directors or such committee, the quorum, voting and other procedures shall be the same as those applicable to actions taken by the Board of Directors. A majority of the members of the Board of Directors then in office shall have the power to change the membership of any such committee at any time, to fill vacancies therein and to discharge any such committee or to remove any member thereof, either with or without cause, at any time.

SECTION V

Officers

Section 5.1. Designation. The officers of the Corporation shall be a Chief Executive Officer, a Chief Financial Officer, a Treasurer, a Chief Accounting Officer (or, if there is no Chief Accounting Officer, a Controller), and a Secretary, and such other officers as the Board of Directors may elect or appoint, or provide for the appointment of, as may from time to time appear necessary or advisable in the conduct of the business and affairs of the Corporation. Any number of offices may be held by the same persons.

Section 5.2. Election Term. At its first meeting after each annual meeting of stockholders, the Board of Directors shall elect the officers or provide for the appointment thereof. Subject to Section 5.3 and Section 5.4 hereof, the term of each officer elected by the Board of Directors shall be until the first meeting of the Board of Directors following the next annual meeting of stockholders and until such officer's successor is chosen and qualified.

Section 5.3. Resignation. Any officer may resign at any time by giving written notice to the Secretary. Unless otherwise stated in such notice of resignation, the acceptance thereof shall not be necessary to make it effective; and such resignation shall take effect at the time specified therein or, in the absence of such specification, it shall take effect upon the receipt thereof.

Section 5.4. Removal. Any officer may be removed at any time with or without cause by affirmative vote of a majority of the members of the Board of Directors then in office. Any officer appointed by another officer may be removed with or without cause by such officer or the Chief Executive Officer.

Section 5.5. Vacancies. A vacancy in any office may be filled for the unexpired portion of the term by the Board of Directors or, in the case of offices held by officers who may be appointed by other officers, by any officer authorized to appoint such officer.

Section 5.6. Chief Executive Officer. The Chief Executive Officer shall be responsible for carrying out the policies adopted by the Board of Directors.

Section 5.7. Chief Financial Officer. The Chief Financial Officer shall act in an executive financial capacity, and assist the Chief Executive Officer in the general supervision of the Corporation's financial policies and affairs, and shall perform all acts incident to the position of Chief Financial Officer, subject to the control of the Board of Directors.

Section 5.8. Treasurer. The Treasurer shall have charge of all funds of the Corporation and shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors.

Section 5.9. Chief Accounting Officer and Controller. The Chief Accounting Officer (or the Controller, if there is no Chief Accounting Officer) shall serve as principal accounting officer of the Corporation, having the custody and operation of the accounting books and records of the Corporation (with the Controller, if there is a separate Controller), and shall perform all acts incident to the position of Controller, subject to the control of the Board of Directors.

Section 5.10. Secretary. The Secretary shall keep the minutes, and give notices, of all meetings of stockholders and directors and of such committees as directed by the Board of Directors. The Secretary shall have charge of such books and papers as the Board of Directors may require. The Secretary (or any Assistant Secretary) is authorized to certify copies of extracts from minutes and of documents in the Secretary's charge and anyone may rely on such certified copies to the same effect as if such copies were originals and may rely upon any statement of fact concerning the Corporation certified by the Secretary (or any Assistant Secretary). The Secretary shall perform all acts incident to the office of Secretary, subject to the control of the Board of Directors.

Section 5.11. Compensation of Officers. The officers of the Corporation shall receive such compensation for their services as the Board of Directors or the appropriate committee thereof may determine. The Board of Directors may delegate its authority to determine compensation (other than that of the Chief Executive Officer) to designated officers of the Corporation.

Section 5.12. Execution of Instruments. Checks, notes, drafts, other commercial instruments, assignments, guarantees of signatures and contracts (except as otherwise provided herein or by law) shall be executed by the Chief Executive Officer or other officers or employees or agents, in any such case as the Board of Directors may direct or authorize.

Section 5.13. Mechanical Endorsements. The Chief Executive Officer, the Secretary, or other authorized officers may authorize any endorsement on behalf of the Corporation to be made by such mechanical means or stamps as any of such officers may deem appropriate.

SECTION VI

Indemnification

Section 6.1. Indemnification Provisions in Certificate of Incorporation. The provisions of this Section VI are intended to supplement Article VII of the Certificate of Incorporation pursuant to Sections 7.2 and 7.3 thereof. To the extent that this Section VI contains any provisions inconsistent with said Article VII, the provisions of the Certificate of Incorporation shall govern. Terms defined in such Article VII shall have the same meaning in this Section VI.

Section 6.2. Indemnification of Employees. The Corporation shall indemnify and advance expenses to its employees to the same extent as to its directors and officers, as set forth in the Certificate of Incorporation and in this Section VI of the Bylaws of the Corporation.

Section 6.3. Undertakings for Advances of Expenses. If and to the extent the Delaware General Corporation Law requires, an advancement by the Corporation of expenses incurred by an indemnitee pursuant to clause (iii) of the last sentence of Section 7.1 of the Certificate of Incorporation (hereinafter an "advancement of expenses") shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under Article VII of the Certificate of Incorporation or otherwise.

Section 6.4. Claims for Indemnification. If a claim for indemnification under Section 7.1 of the Certificate of Incorporation is not paid in full by the Corporation within 60 days after it has been received in writing by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses only upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in Section 145 of the Delaware General Corporation Law (or any successor provision or provisions). Neither the failure of the Corporation (including the Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in Section 145 of the Delaware General Corporation Law (or any successor provision or provisions), nor an actual determination by the Corporation (including the Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to have or retain such advancement of expenses, under Article VII of the Certificate of Incorporation or this Section VI or otherwise, shall be on the Corporation.

Section 6.5. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, trustee, officer, employee or agent of the Corporation or another enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 6.6. Severability. In the event that any of the provisions of this Section VI (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, the remaining provisions are severable and shall remain enforceable to the full extent permitted by law.

SECTION VII

Miscellaneous

Section 7.1. Seal. The Corporation shall have a suitable seal, containing the name of the Corporation. The Secretary shall be in charge of the seal and may authorize one or more duplicate seals to be kept and used by any other officer or person.

Section 7.2. Waiver of Notice. Whenever any notice is required to be given, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein shall be deemed equivalent thereto. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 7.3. Voting of Stock Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chairman of the Board, the Chief Executive Officer, the Vice Chairman, any Vice President or such officers or employees or agents as the Board of Directors or any of such designated officers may direct. Any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may from time to time confer like powers upon any other person or persons.

SECTION VIII

Amendment of Bylaws

Section 8.1. Power to Amend. Except as otherwise provided by law or by the certificate of incorporation or these bylaws, these bylaws or any of them may be amended in any respect or repealed at any time, either (i) at any meeting of stockholders, subject to these bylaws, provided that any amendment or supplement proposed to be acted upon at any such meeting has been described in reasonable detail in the notice of such meeting, or (ii) at any meeting of the Board of Directors, provided in all events that no amendment to any by-law that conflicts or varies with, or frustrates the purposes or effect of, any provision of the certificate of incorporation or other provisions of these bylaws may be adopted (including, without limitation, any bylaw the purpose or effect of which is to require approvals of matters by supermajority vote of the Board of Directors or a committee) without amendment of such provision of the certificate of incorporation or other provision of the bylaws in accordance with applicable law and, to the extent otherwise applicable, these bylaws.

Section 8.2. Approval of Amendments. Notwithstanding the foregoing and anything contained in these bylaws to the contrary, these bylaws may not be amended, supplemented, or repealed by the stockholders, and no provision inconsistent in intent, operation, or effect therewith may be adopted by the stockholders, without the affirmative vote of the holders of a majority of the votes cast with respect to adoption, supplementing, or repeal of these bylaws.

Exhibit 4.18

[Face of Note]

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY TRUST COMPANY (“DTC”), OR A NOMINEE OF THE DEPOSITORY TRUST COMPANY. THIS NOTE IS EXCHANGEABLE FOR NOTES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TRUST COMPANY TO A NOMINEE OF THE DEPOSITORY TRUST COMPANY OR BY A NOMINEE OF THE DEPOSITORY TRUST COMPANY TO THE DEPOSITORY TRUST COMPANY OR ANOTHER NOMINEE OF THE DEPOSITORY TRUST COMPANY.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DTC TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Eastman Chemical Company

No. A-1	3.80% NOTE DUE 2025	
CUSIP No. 277432 AR1 ISIN No. US277432AR19		$500,000,000

Eastman Chemical Company, a corporation duly organized and existing under the laws of the State of Delaware (the “***Company***”), for value received, hereby promises to pay CEDE & CO., or its registered assigns, the principal sum of $500,000,000 (Five Hundred Million United States dollars) or such other amounts that appear in the schedule attached hereto on March 15, 2025 (the “***Maturity Date***”), in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay semi-annually in arrears on March 15 and September 15 of each year (each, an “***Interest Payment Date***”), commencing March 15, 2015, and on the Maturity Date (or on any redemption or repayment date) the amount of interest on said principal sum, in like coin or currency, at the rate per annum specified in the title of this Note, from and including November 20, 2014 or from but excluding the most recent Interest Payment Date to which interest has been paid or duly provided for until said principal sum has been paid or duly provided for. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

The interest payable on any Interest Payment Date which is punctually paid or duly provided for on such Interest Payment Date, will be paid to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on March 1 or September 1 (in each case, whether or not a Business Day), as the case may be (each, a “***Regular Record Date***”), immediately preceding such Interest Payment Date. Interest payable on this Note which is not punctually paid or duly provided for on any Interest Payment Date therefor, shall forthwith cease to be payable to the Person in whose name this Note is registered at the close of business on the Regular Record Date immediately preceding such Interest Payment Date, and such interest may either (i) be paid to the Person in whose name this Note is registered at the close of business on a special record date to be established for such payment by the Trustee or (ii) be paid in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, all as more fully provided in the Indenture referred to on the reverse hereof.

Payment of the principal, any premium and the interest due on the Maturity Date (or on any redemption or repayment date) of this Note will be made in immediately available funds upon surrender of this Note at the office or agency of the Paying Agent, as defined on the reverse hereof, maintained for that purpose in the Borough of Manhattan, The City of New York, or at such other paying agency as the Company may determine. At the option of the Company, interest on the Notes may be paid by check mailed to the address of the Person entitled thereto as such address shall appear in the register of Holders of the Notes.

Reference is made to the further provisions of this Note set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee under the Indenture referred to on the reverse hereof.

IN WITNESS WHEREOF, the Company has caused this Note to be signed manually or by facsimile by its duly authorized officer.

Dated: November 20, 2014

Eastman Chemical Company

By: ____________________

Name:	Mary D. Hall
Title:	Vice President and Treasurer

This is one of the Notes of the series designated therein described in the within-mentioned Indenture.

Dated: November 20, 2014

Wells Fargo Bank, National Association,

as Trustee

By: ______________________________

Authorized Signatory

[REVERSE OF NOTE]

1. INDENTURE. (a) This Note is one of a duly authorized issue of senior debt securities of the Company (hereinafter called the "Notes"), all issued or to be issued under and pursuant to the Indenture, dated as of June 5, 2012 (the "Indenture"), between the Company and Wells Fargo Bank, National Association, as Trustee (the "Trustee," which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. The Company has appointed the Trustee as the paying agent (the "Paying Agent," which term includes any additional or successor Paying Agent appointed by the Company) with respect to the Notes. To the extent not inconsistent herewith, the terms of the Indenture are hereby incorporated by reference herein. To the extent any provision of this Note conflicts with the Indenture, the Indenture shall govern and be controlling. This Note is one of the series designated on the face hereof initially limited in aggregate principal amount to $800,000,000; provided that the Company may from time to time, without notice to or the consent of the Holders of the applicable series of Notes, create and issue additional Notes of such series (the "Additional Notes") having the same terms and ranking equally and ratably with the Notes of such series in all respects and with the same CUSIP number as the Notes of the applicable series, or in all respects except for any differences in the issue price and the payment of interest accruing prior to the issue date of the Additional Notes or except for the first payment of interest following the issue date of such Additional Notes. Any Additional Notes will be consolidated and form a single series with the applicable series of Notes and shall have the same terms as to status, redemption and otherwise as such Notes. Any Additional Notes may be issued pursuant to authorization provided by a resolution of the Board of Directors of the Company, a supplement to the Indenture, or under an Officers' Certificate pursuant to the Indenture. No Additional Notes may be issued if an Event of Default has occurred and is continuing with respect to the Notes of such series. If such Additional Notes are not fungible for purposes of U.S. federal income tax purposes, such Notes shall have a different CUSIP number.

(b) All capitalized terms used in this Note which are defined in the Indenture and not otherwise defined herein shall have the meanings assigned to them in the Indenture.

2. AMENDMENTS AND WAIVERS. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes of any series and the Trustee with the consent of the Holders of a majority in aggregate principal amount of all of the Notes of each applicable series then Outstanding affected by such amendment or modification (treated as a single class). The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of all of the Notes of each applicable series then Outstanding affected thereby (treated as a single class) to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. For the avoidance of doubt, with respect to any series of Notes, the consent or waiver, as the case may be, of Holders of Notes of such series required or permitted under the Indenture, as the case may be, if the Company so determines, may also be obtained from the Holders of a majority in principal amount of the Notes of that series

3. OBLIGATION TO PAY PRINCIPAL, PREMIUM, IF ANY, AND INTEREST. No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company or any other obligor on the Notes, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note in the manner, at the respective times, at the rate, and in the coin or currency herein prescribed.

4. SPECIAL MANDATORY REDEMPTION. The Notes are subject to a special mandatory redemption in the event the Company's acquisition (the "***Acquisition***") of Taminco Corporation ("***Taminco***"), pursuant to the Agreement and Plan of Merger (the "***Merger Agreement***"), dated as of September 11, 2014, by and among the Company, Stella Merger Corporation, a subsidiary of the Company, and Taminco, is not consummated on or prior to May 30, 2015 or, if prior to May 30, 2015, the Merger Agreement is terminated (each such event, a "***Redemption Event***"). If a Redemption Event occurs, the Notes will be redeemed at a special mandatory redemption price equal to 101% of the principal amount thereof plus accrued and unpaid interest from the date of initial issuance, or the most recent date to which interest has been paid or provided for, whichever is later, to but excluding the Special Mandatory Redemption Date. The "***Special Mandatory Redemption Date***" means the earlier to occur of (1) June 1, 2015, if the Merger has not been completed on or prior to May 30, 2015, or (2) the 30th day (or if such day is not a business day, the first business day thereafter) following the termination of the Merger Agreement.

The Company will cause the notice of special mandatory redemption to be mailed, with a copy to the Trustee, within five business days after the occurrence of the Redemption Event to each Holder at its registered address.

5. OPTIONAL REDEMPTION. The Company may redeem the Notes, in whole or in part, at any time prior to December 15, 2024 at a Redemption Price equal to the greater of:

- 100% of the principal amount of the Notes being redeemed; or
- as determined by a Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued to the date of redemption) discounted to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined below) plus 22.5 basis points,

plus, in each case, accrued and unpaid interest on the Notes to the Redemption Date; provided that the principal amount of a Note remaining outstanding after redemption in part shall be $2,000 or an integral multiple of $1,000 in excess thereof.

Commencing on December 15, 2024, the Company may redeem the Notes, in whole or in part, at any time and from time to time, at a Redemption Price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest to the Redemption Date.

"Adjusted Treasury Rate" means, with respect to any Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

"Comparable Treasury Issue" means the United States Treasury security selected by a Quotation Agent as having a maturity comparable to the remaining term of the Securities to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Securities.

"Quotation Agent" means the Reference Treasury Dealer appointed by the Company.

"Comparable Treasury Price" means, with respect to any Redemption Date for the Notes, (1) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the Quotation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations obtained.

"Reference Treasury Dealer" means (1) Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (or any of their respective affiliates which are Primary Treasury Dealers (as defined herein)), and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in the United States of America (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer, and (2) any other Primary Treasury Dealer selected by the Company.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer as of 5:00 p.m., New York City time, on the third business day preceding such Redemption Date.

The Company will give notice to the Holders of Notes and the Trustee of any Notes to be redeemed of any redemption the Company proposes to make at least 30 days, but not more than 60 days, before the Redemption Date. If fewer than all of the Notes are to be redeemed, the Trustee must select the particular Notes to be redeemed by the method specified in the Indenture.

Unless the Company defaults in payment of the Redemption Price, on and after the Redemption Date, interest will cease to accrue on the Notes or the portion of the Notes called for redemption.

6. REPURCHASE AT OPTION OF HOLDER. Upon the occurrence of a Change of Control Triggering Event, and subject to certain conditions set forth in the Indenture, the Company will be required to offer to purchase all of the Outstanding Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the date of repurchase.

7. CERTAIN COVENANTS. The Indenture restricts, among other things, the ability of the Company and its Subsidiaries to incur certain secured indebtedness and the ability of the Company to merge or consolidate with, or transfer all or substantially all of its assets to, other companies. These covenants are subject to the defeasance procedures outlined in the Indenture.

8. EFFECT OF EVENT OF DEFAULT. If an Event of Default shall have occurred and be continuing under the Indenture, the principal hereof may be declared immediately due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

9. DEFEASANCE. The Indenture contains provisions for legal defeasance and covenant defeasance at any time of the Indebtedness on this Note upon compliance by the Company with certain conditions set forth therein.

10. DENOMINATIONS; EXCHANGES. (a) The Notes are issuable in registered form without coupons in a minimum denomination of $2,000 and integral multiples of $1,000 in excess thereof at the office or agency of the Company in the Borough of Manhattan, The City of New York, and in the manner and subject to the limitations provided in the Indenture, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denomination.

11. HOLDER AS OWNER. Prior to the due presentment of this Note for registration of transfer, the Company, the Trustee, any Registrar and any Paying Agent of the Company or the Trustee may deem and treat the registered holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment of, or on account of, the principal hereof and, subject to the provisions on the face hereof, interest hereon, and for all other purposes, and none of the Company, the Trustee, any Registrar or any Paying Agent of the Company or the Trustee shall be affected by any notice to the contrary.

12. NO LIABILITY OF CERTAIN PERSONS. No recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in any Note, or because of the creation of any Indebtedness represented thereby, shall be had against any past, present or future incorporator, shareholder, officer or director, as such, of the Company or of any successor, either directly or through the Company, or any successor corporation, under any constitution, statute or rule of law or by the enforcement of any assessment or otherwise, all such liability being expressly waived and released by the acceptance hereof and as part of the consideration for the issue hereof.

13. GOVERNING LAW. This Note shall be governed by, and construed in accordance with, the laws of the State of New York without regard to conflict of law provisions thereof.

ASSIGNMENT FORM

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto:

PLEASE INSERT SOCIAL SECURITY NUMBER OR TAXPAYER IDENTIFICATION NUMBER OF ASSIGNEE

____

PLEASE PRINT OR TYPE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE

____

the within Note of Eastman Chemical Company and all rights thereunder and hereby irrevocably constitutes and appoints such person attorney to transfer such Note on the books of Eastman Chemical Company, with full power of substitution in the premises.

Dated: ______________________________________

Signature: ___________________________________

NOTICE: **THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE WITHIN INSTRUMENT IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER. THE SIGNATURE SHOULD BE MEDALLION GUARANTEED BY A COMMERCIAL BANK OR TRUST COMPANY, A MEMBER ORGANIZATION OF THE NEW YORK STOCK EXCHANGE**.

Signature Guarantee: ______________________________

Tax Identification No.: ______________________________

SCHEDULE OF INCREASES OR DECREASES IN NOTE

The initial principal amount of this Note is U.S.$500,000,000. The following increases or decreases in the principal amount of this Note have been made:

Date	Amount of decrease in principal amount of this Note	Amount of increase in principal amount of this Note	Principal amount of this Note following such decrease or increase	Signature of authorized signatory of Trustee

Exhibit 10.13

AMENDED AND RESTATED
EASTMAN EXECUTIVE DEFERRED COMPENSATION PLAN

(Effective as of December 1, 2014)

EASTMAN CHEMICAL COMPANY

AMENDED AND RESTATED

EASTMAN EXECUTIVE DEFERRED COMPENSATION PLAN

TABLE OF CONTENTS

AMENDED AND RESTATED

EASTMAN EXECUTIVE DEFERRED COMPENSATION PLAN

Preamble. This Amended and Restated Eastman Executive Deferred Compensation Plan (the "Plan") is an unfunded, nonqualified deferred compensation arrangement maintained primarily for a select group of management or highly compensated employees of Eastman Chemical Company ("the Company") and certain of its subsidiaries, within the meaning of Section 201(2) of the Employee Retirement Income Security Act of 1974, as amended. Under this Plan, each Eligible Employee is annually given an opportunity to defer payment of part of his or her cash compensation. In addition, certain amounts not eligible to be contributed to the EIP/ESOP (as defined below) on behalf of Eligible Employees due to certain limitations applicable to that plan are paid on a deferred basis under this Plan.

This Plan originally was adopted effective January 1, 1994, and was subsequently amended and restated effective as of August 1, 2002, August 1, 2007, December 31, 2008, August 4, 2011 and May 2, 2012. As permitted under guidance issued under Code Section 409A, this Plan does not contain provisions retroactive to the effective date of Code Section 409A and guidance issued thereunder. There are no longer any amounts credited to Grandfathered Accounts under the Plan (as that term is defined in the 2008 amended and restated Plan document).

Section 1. Definitions.

Section 1.1. "Account" means the account established for a Participant under the Plan. A Participant's Account is further sub-divided into separate Class Year Accounts.

Section 1.2. "Board" means the Board of Directors of the Company.

Section 1.3. "Change In Control" means a change in control of the Company of a nature that would be required to be reported (assuming such event has not been "previously reported") in response to Item 1 (a) of a Current Report on Form 8-K, as in effect on December 31, 2001, pursuant to Section 13 or 15(d) of the Exchange Act; provided that, without limitation, a Change In Control shall be deemed to have occurred at such time as (i) any "person" within the meaning of Section 14(d) of the Exchange Act, other than the Company, a subsidiary of the Company, or any employee benefit plan(s) sponsored by the Company or any subsidiary of the Company, is or has become the "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of 25% or more of the combined voting power of the outstanding securities of the Company ordinarily having the right to vote at the election of directors; provided, however, that the following will not constitute a Change In Control: any acquisition by any corporation if, immediately following such acquisition, more than 75% of the outstanding securities of the acquiring corporation ordinarily having the right to vote in the election of directors is beneficially owned by all or substantially all of those persons who, immediately prior to such acquisition, were the beneficial owners of the outstanding securities of the Company ordinarily having the right to vote in the election of directors, or (ii) individuals who constitute the Board on January 1, 2002 (the "Incumbent Board") have ceased for any reason to constitute at least a majority thereof, provided that: any person becoming a director subsequent to January 1, 2002 whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least three-quarters (3/4) of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board, (iii) upon approval by the Company's stockholders of a reorganization, merger or consolidation, other than one with respect to which all or substantially all of those persons who were the beneficial owners, immediately prior to such reorganization, merger or consolidation, of outstanding securities of the Company ordinarily having the right to vote in the election of directors own, immediately after such transaction, more than 75% of the outstanding securities of the resulting corporation ordinarily having the right to vote in the election of directors; or (iv) upon approval by the Company's stockholders of a complete liquidation and dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company other than to a subsidiary of the Company.

Section 1.4. "Class Year" means each calendar year.

Section 1.5. "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a specific section of the Code shall be deemed to include any successor or replacement section thereto.

Section 1.6. "Common Stock" means the $.01 par value common stock of the Company.

Section 1.7. "Company" means Eastman Chemical Company.

Section 1.8. "Compensation Committee" or "Committee" shall mean the Compensation and Management Development Committee of the Board.

Section 1.9. "Compensation Group" shall mean the Company's internal organization responsible for certain administrative functions under this Plan.

Section 1.10. "Deferrable Amount" means, for a given fiscal year of the Company, an amount equal to the sum of the Eligible Employee's (i) annual base cash compensation; (ii) annual cash payments under performance incentive and sales incentive plans of the Company in which an Eligible Employee participates and which may be identified by the Compensation Group from time to time as deferrable under this Plan; (iii) stock and stock-based awards under the Omnibus Plan which, under the terms of the Omnibus Plan and the award, are payable in cash and required or allowed to be deferred into this Plan; (iv) any special compensation payable to an Eligible Employee in connection with his or her initial employment with the Company or the acquisition by the Company of such person's previous employer (such as a retention bonus) and (v) to the extent applicable, any non-elective deferrals contributed to this Plan by the Company on behalf of an Eligible Employee (other than an ESOP/RSC Allocation or an Excess 401(k) Matching Allocation). Notwithstanding the foregoing, the Deferrable Amount shall not include (i) any amount that must be withheld from the Eligible Employee's wages for income or employment tax purposes or (ii) with respect to elections made during an Initial Enrollment Period, cash payments to an Eligible Employee under an annual incentive performance plan.

Section 1.11. "Disability" means the Participant (i) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under the Applicable Disability Plan (as defined below), or (ii) qualifies for Social Security disability benefits. The "Applicable Disability Plan" shall be the group long-term disability insurance plan offered by the Company to the Participant at the time of the determination. If no group long-term disability insurance plan is being offered to the Participant at the time of such determination, the Participant shall be required to satisfy clause (ii) in order to be declared Disabled for purposes of this Plan.

Section 1.12. "EIP/ESOP" means the Eastman Investment and Employee Stock Ownership Plan.

Section 1.13. "Eligible Employee" means a U.S.-based employee of the Company or any of its U.S. Subsidiaries who either:

(a) has a "Business and Technical" salary grade classification of 49 or above, or of 105 or above, is paid on the Company's payroll and is not party to an agreement that excludes the employee from participation in the Plan, or
(b) has been designated by the Company's Senior HR Executive as eligible to participate in the Plan.

An employee who would be an Eligible Employee except that he or she is not paid on the Company's payroll shall become an Eligible Employee at the time he or she is transferred onto the Company's payroll. If any employee later ceases to be an Eligible Employee, the employee shall continue to be treated as an Eligible Employee for the remainder of the Class Year in which the change occurred that caused the employee to cease to be an Eligible Employee. Consequently, his or her deferral and payment elections for that Class Year shall remain in effect to the end of the Class Year, and any ESOP/RSC Allocation and Excess 401(k) Matching Allocation relating to service performance during such Class Year shall be governed by the Participant's deferral election for such Class Year or the Plan's default payment provisions, as applicable.

Section 1.14. "Enrollment Period" means the period designated by the Compensation Group each year, provided however, that such period shall end on or before the last business day of the Class Year immediately prior to the Class Year to which the Enrollment Period relates.

Section 1.15. "ESOP/RSC Allocation" has the meaning assigned to that term in Section 2.2.

Section 1.16. "Excess Compensation" means the excess, if any, of (1) an Employee's "Company Compensation" as defined in the EIP/ESOP, over (2) the dollar amount under Code Section 401(a)(17) applicable to the EIP/ESOP for a given plan year of the EIP/ESOP.

Section 1.17. "Excess 401(k) Matching Allocation" has the meaning assigned to that term in Section 2.3.

Section 1.18. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

Section 1.19. "Final 409A Regulations" means final Treasury Regulations promulgated under Code Section 409A.

Section 1.20. "Initial Enrollment Period" means, for an Eligible Employee who is newly employed by the Company, the period ending no later than thirty (30) days after the date on which such person became an Eligible Employee, and beginning on such earlier date as may be established by the Compensation Group. For a person who becomes an Eligible Employee through an acquisition by the Company of such person's previous employer, "Initial Enrollment Period" shall mean the period ending no later than thirty (30) days after the date of the acquisition, and beginning on such earlier date as may be established by the Compensation Group. An Eligible Employee who is rehired by the Company may not enroll during the Initial Enrollment Period if he or she was eligible to participate in this Plan (or any plan required to be aggregated with this Plan under the Final 409A Regulations) at any time during the twenty-four (24) month period prior to his or her rehire.

Section 1.21. "Omnibus Plan" means the Eastman Chemical Company 1994 Omnibus Long-Term Compensation Plan, any successor plan to the Omnibus Plan or any subsequently adopted plan of the Company providing for awards of stock and stock-based compensation to Company employees.

Section 1.22. "Participant" means an Eligible Employee who (i) elects for one or more Class Years to defer compensation pursuant to this Plan; or (ii) receives an ESOP/RSC Allocation under Section 2.2 or an Excess 401(k) Matching Allocation under Section 2.3 of this Plan.

Section 1.23. "Plan" means this amended and restated Eastman Executive Deferred Compensation Plan.

Section 1.24. "Section 16 Insider" means a Participant who is, with respect to the Company, subject to the reporting requirements of Section 16 of the Exchange Act.

Section 1.25. "Senior HR Executive" has the meaning assigned to that term in Section 10.1.

Section 1.26. "Stock Fund" has the meaning assigned to that term in Section 4.2.

Section 1.27. "Termination of Employment" means a separation from service under Code Section 409A and the Final 409A Regulations.

Section 1.28. "Unforeseeable Emergency" means severe financial hardship of the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's beneficiary or a dependent (as defined in Code Section 152 without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B)), loss of the Participant's property due to casualty (including the need to rebuild a home not otherwise covered by insurance), or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Except as otherwise provided herein, the purchase of a home and the payment of college tuition are not unforeseeable emergencies.

Section 1.29. "U.S. Subsidiaries" means the United States subsidiaries of the Company other than those subsidiaries listed on Schedule A.

Section 1.30. "Valuation Date" means each business day.

Section 2. Deferral of Compensation; Employer Allocations.

Section 2.1. Deferrable Amount Election. An Eligible Employee may elect to defer receipt of all or any portion of his or her Deferrable Amount to such person's Account for the applicable Class Year. A Participant may make deferrals under this Plan regardless of whether the Participant elects deferrals under the EIP/ESOP for that Class Year. If, after the start of a Class Year, an Eligible Employee terminates employment with the Company and all of its U.S. Subsidiaries or otherwise ceases to be an Eligible Employee, any previous Class Year deferral election and distribution election relating to a payment or award under the Company's Omnibus Plan and any performance incentive or sales incentive plan of the Company in which an Eligible Employee participates (or relating to any other Deferrable Amount), shall remain in effect for such items of compensation payable with respect to such Class Year.

Section 2.2. ESOP/RSC Allocation. For any Class Year during which an Eligible Employee has Excess Compensation, then at such time, if any, as the Company makes a contribution to the EIP/ESOP with respect to such Class Year, the Company shall credit to the Eligible Employee's Account under this Plan, an amount equal to the product of (1) the amount of such Eligible Employee's Excess Compensation multiplied by (2) the ESOP or RSC contribution percentage for that Class Year under the EIP/ESOP (the "ESOP/RSC Allocation"). Such amount shall be credited according to the Eligible Employee's investment election.

Section 2.3. Excess 401(k) Matching Allocation. For each Class Year, there shall be credited to the Account of each Eligible Employee an Excess 401(k) Matching Allocation equal in amount to (a) minus (b), where:

(a) is the aggregate employer matching contributions that the Eligible Employee would have had contributed to his or her account under the EIP/ESOP for such Class Year if his or her Excess Compensation had been taken into account and if the provisions of Code Sections 401(k)(3), 401(m)(2) and 415 had not applied to the EIP/ESOP; and

(b) is the aggregate employer matching contributions actually contributed to the Eligible Employee's account under the EIP/ESOP for such Class Year.

Notwithstanding the foregoing, an Eligible Employee shall not have an Excess 401(k) Matching Allocation credited to his or her Account unless the Eligible Employee made the maximum deferrals under the EIP/ESOP permitted under Code Section 402(g) for such Plan Year.

Section 3. Deferral Elections.

Section 3.1. General. An Eligible Employee who wishes to defer all or any portion of his or her Deferrable Amount must irrevocably elect to do so during the applicable Enrollment Period. The Enrollment Period shall end prior to the first day of the service year with respect to the applicable Deferrable Amount. The "service year" is the Eligible Employee's taxable year in which the services related to the Deferrable Amount will be performed by the Eligible Employee. Elections shall be made annually for each Class Year. An election made during an Enrollment Period shall become irrevocable on the date the Enrollment Period ends. Notwithstanding the foregoing, if the Deferrable Amount is subject to a forfeiture condition requiring the Eligible Employee to perform continuous services for a period of at least 13 months from the date the Eligible Employee obtains a legally binding right to the Deferrable Amount in order to avoid forfeiture of payment of the Deferrable Amount, the Compensation Group may permit the Eligible Employee to file a deferral election with respect to such Deferrable Amount on or before the 30th day after the Eligible Employee obtains the legally binding right to such Deferrable Amount.

Section 3.2. Elections During the Initial Enrollment Period. Notwithstanding the foregoing, (i) in the first Class Year in which a person becomes an Eligible Employee by reason of being employed by the Company, and (ii) in the first Class Year in which a person becomes an Eligible Employee through an acquisition by the Company of such person's previous employer, the Eligible Employee may elect to defer receipt of all or any portion of his or her Deferrable Amount earned for services performed on and after the first day of the payroll beginning immediately after the date on which the Participant makes the deferral election (the "Initial Payroll Date"), provided that such deferral election is made no later than the last day of the Initial Enrollment Period and that the following conditions are met:

(a) where the Deferrable Amount will be earned over a specified performance period that began prior to the last day of the Initial Enrollment Period, the amount deferred is limited to an amount equal to the amount payable for the performance period multiplied by the ratio of the number of days remaining in the performance period after the Initial Payroll Date over the total number of days in the performance period, and

(b) in the case of a rehired Eligible Employee, the Eligible Employee has not been eligible to participate in the Plan (or any plan required to be aggregated with the Plan under the Final 409A Regulations) at any time during the twenty-four month period prior to his or her rehire.

A deferral election made during an Initial Enrollment Period shall become irrevocable at the time it is made.

Section 4. Investment Performance of Accounts.

Section 4.1. General. The Company shall designate at least two investment funds and may designate other investment funds to measure the deemed investment performance of each Participant's Account. The designation of any such investment funds shall not require the Company or any of its subsidiaries or affiliates to invest or earmark their general assets in any specific manner. The Company may change prospectively the designation of investment funds from time to time, in its sole discretion, and any such change shall not be treated as an amendment or modification affecting Participants' accruals under the Plan for purposes of Section 17. The investment funds designated by the Company shall be for bookkeeping purposes only.

Section 4.2. Company Stock Fund. One of the investment funds designated by the Company pursuant to Section 4.1 shall be an investment fund that is deemed to be primarily invested in shares of Common Stock (the "Stock Fund").

Section 5. Deferrals and Crediting Amounts to Accounts.

Section 5.1. Manner of Electing Deferral. An Eligible Employee may elect to defer compensation by completing the deferral election process established by the Compensation Group. For each Class Year, each Eligible Employee shall elect, in the manner specified by the Compensation Group, (i) the amount and sources of Deferrable Amount to be deferred; (ii) whether deferral of annual base cash compensation is to be at the same rate throughout the year, or at different rates for each calendar quarter of the year; (iii) the investment performance election for the deferral; and (iv) the manner and time of payment for such Deferrable Amount and for any ESOP/RSC Allocation or Excess 401(k) Matching Allocation relating to services performed for such Class Year. An election to defer compensation shall be irrevocable following the end of the applicable Enrollment Period, but the Participant's investment performance election may be modified by the Participant in the manner specified by the Compensation Group through and including the business day immediately preceding the date on which the deferred amount is credited to the Participant's Account pursuant to Section 5.2.

Section 5.2. Crediting of Amounts to Accounts. Except as otherwise provided in this Section with respect to Section 16 Insiders, amounts to be deferred each Class Year shall be credited to the Participant's Account as of the date such amounts are otherwise payable and shall be credited in accordance with the Participant's investment performance election made pursuant to Section 7. An ESOP/RSC Allocation which is made pursuant to Section 2.2 with respect to services performed during the Class Year shall be credited to the Participant's Account as of the date the Company makes the contribution to the EIP/ESOP which triggers the ESOP/RSC Allocation under this Plan. An Excess 401(k) Matching Allocation pursuant to Section 2.3 shall be credited to the Participant's Account as soon as practicable following the end of the Class Year to which such Excess 401(k) Matching Allocation relates. Notwithstanding the foregoing, for each Section 16 Insider, each and every Deferrable Amount, when initially credited to the Participant's Account, shall be credited to an investment fund other than the Stock Fund until the next date that dividends are paid on Common Stock, and on such date the Deferrable Amount that would have been initially credited to the Stock Fund but for this sentence shall be deemed to be reallocated, as adjusted for earnings and losses, to the Stock Fund.

Section 6. Deferral Period. Subject to Sections 9, 10, and 19 hereof, the amounts credited to a Participant's Account and earnings thereon will be deferred until the Participant dies, becomes Disabled or has a Termination of Employment. Any such election shall be made during the applicable Enrollment Period or Initial Enrollment Period on the deferred compensation form referenced in Section 5 above. The payment of a Participant's Account shall be governed by Sections 8, 9, 10, and 19, as applicable.

Section 7. Investment Performance Elections.

Section 7.1. Investment Performance Elections. Each Participant shall file an initial investment performance election with the Compensation Group with respect to the investment of the Participant's Account. The election shall designate the investment fund or funds which shall be used to measure the investment performance of the Participant's Account. The election shall be made within such time period and on such form as the Compensation Group may prescribe and shall be made in whole percentages of the Participant's Account balance or the Deferrable Amount to be credited to the Participant's Account, as applicable. If the Participant does not file an investment performance election, his Account shall be credited with earnings and losses based on the performance of a default investment fund selected by the Company in its discretion.

Section 7.2. Changing Investment Performance Elections. A Participant may change his or her election in Section 7.1 with respect to his or her Account by filing an appropriate notice with the Compensation Group in accordance with procedures established by the Compensation Group. A Participant may reallocate the current balance of his or her Account, thereby changing the investment fund or funds used to measure the future investment performance of his or her existing Account balance, by filing a notice with the Compensation Group.

Section 7.3. Special Rules for Section 16 Insiders. A Section 16 Insider may only elect to reallocate between the Stock Fund and one or more of the Plan's other investment funds if he or she has made no election within the previous six months to effect an "opposite way" fund-switching (i.e., transfer out versus transfer in) transfer into or out of the Stock Fund or the EIP/ESOP, or any other "opposite way" intra-plan transfer or plan distribution involving a Company equity securities fund which constitutes a "Discretionary Transaction" as defined in Rule 16b-3 under the Exchange Act. In addition, and notwithstanding the foregoing, a Section 16 Insider's Deferrable Amount that is initially deemed to be invested in an investment fund other than the Stock Fund as provided in Section 5.2, shall be reallocated, following such initial allocation, to the Stock Fund in the manner provided in Section 5.2.

Section 7.4. Distributions. All distributions from a Participant's Account shall be made in cash. Pending the complete distribution of the Account of a Participant, the Participant shall continue to be able to make elections pursuant to this Section 7.

Section 7.5. Responsibility for Investment Performance Elections. Each Participant is solely responsible for any investment performance election that he or she makes pursuant to this Section 7. Each Participant accepts all investment risks entailed by such elections, including the risk of loss and a decrease in the value of the amounts credited to his or her Account.

Section 8. Payment of Deferred Compensation.

Section 8.1. Background. No payment may be made from a Participant's Account except as provided in this Section 8 and Sections 9, 10, and 19.

Section 8.2. Manner of Payment. Payment of a Participant's Account shall be made in a single lump sum or annual installments, as elected by the Participant pursuant to this Section 8 for each Class Year. The payment election shall apply to all amounts deferred with respect to such Class Year, either by election pursuant to Section 2.1 or on a non-elective basis pursuant to Section 2.2. The maximum number of annual installments that may be elected for Class Years ending on or before December 31, 2011 is ten. The maximum number of annual installments that may be elected for a Class Year beginning on or after January 1, 2012 is five. If a Participant elects installments, the amount of each payment shall be equal to the value, as of the preceding Valuation Date, of the Participant's Class Year Account, divided by the number of installments remaining to be paid. All payments from this Plan shall be made in cash.

Section 8.3. Timing of Payments.

(a) Subject to Sections 8.3(b), 8.3(c), 8.3(d) and 9, payments shall commence in the year elected by the Participant pursuant to this Section 8, up through the tenth year following the year in which the Participant has a Termination of Employment, or, if earlier, upon the Participant's Disability or death. Notwithstanding the foregoing, the following limitations shall apply to a Participant's payment commencement elections:

(i) if the Participant has attained age 71, or will attain age 71 in the calendar year in which occurs the Participant's Termination of Employment, payment shall commence on the earlier of the Participant's death or the first business day of the seventh month following the date of the Participant's Termination of Employment (subject to the exceptions specified in the Final 409A Regulations), and

(ii) if, based on the date of the Participant's Termination of Employment, the Participant will attain age 71 in a calendar year prior to the specified calendar year of payment elected by the Participant, payment shall commence on the earlier of the Participant's death or 71st birthday; provided, however, that if the Participant's 71st birthday is the earliest of such dates, payment shall not commence prior to the first business day of the seventh month following the date of the Participant's Termination of Employment.

(b) If payment is due from this Plan on account of Termination of Employment (but not death or Disability) and payment is due in a lump sum, the Participant's right to receive such payment will be delayed until the earlier of the Participant's death, Disability or the first business day of the seventh month following the date of the Participant's Termination of Employment (subject to the exceptions specified in the Final 409A Regulations).

(c) If payment(s) are due from this Plan on account of Termination of Employment (but not death or Disability) and payments are due in annual installments, the Participant's right to begin to receive such payments will be delayed until the earlier of the Participant's death, Disability or the first business day of the seventh month following the date of the Participant's Termination of Employment (subject to the exceptions specified in the Final 409A Regulations) and the remaining installment payments will be paid on the anniversary of the Participant's first installment payment. For purposes of this Plan, each installment payment under an election of installment payments made for a Class Year ending on or before December 31, 2011 shall be considered to be a separate payment for purposes of the Final 409A Regulations. For Class Years beginning on or after January 1, 2012, installment payments under an election of installment payments (or a default payment in the form of installment payments) shall be treated as a single payment for purposes of the Final 409A Regulations.

(d) If payment(s) are due from this Plan on account of Disability, and payments are due in annual installments, payments from the Participant's Account shall commence as soon as administratively practicable, but no later than ninety (90) days, following the date on which Participant is determined to be Disabled, and the remaining installment payments will be paid on each anniversary of the initial payment date. If payment is due from this Plan on account of Disability in a lump sum, payment shall be made to the Participant as soon as administratively practicable, but no later than ninety (90) days, following the date on which the Participant is determined to be Disabled.

Section 8.4. Valuation. The amount of each payment shall be equal to the value, as of the preceding Valuation Date, of the Participant's Account, divided by the number of remaining payments to be paid.

Section 8.5. Participant Payment Elections. A Participant must elect the method of payment under Section 8.2 and the commencement of payment under Section 8.3 for the amounts deferred with respect to a particular Class Year before the end of the Enrollment Period (or Initial Enrollment Period, if applicable) for that Class Year. If a Participant fails to make a method of payment or commencement of payment election, the default payment provisions of Section 8.6 shall apply. A Participant may elect to subsequently change a payment election only in accordance with the provisions of Section 8.7.

"Section 8.6. Default Payment Standards. Notwithstanding any provision of this Plan to the contrary, the following default payment standards shall apply, regardless of the Participant's age on the date of his or her Termination of Employment.

(a) If the value of the Participant's Account as of the Valuation Date immediately following the Participant's Termination of Employment (combined with the value as of such Valuation Date of any amounts deferred by the Participant under any plan that is treated as a single plan with the Plan for purposes of Code Section 409A and the Final 409A Regulations (a "Like Plan")) is less than ten thousand dollars ($10,000), then the entire value of his or her Account shall be paid in a single lump sum to the Participant on the first business day of the seventh month following the Participant's Termination of Employment date. Amounts deferred under a Like Plan, if any, must be distributed at the same time Participant's Account is distributed under this Plan.

(b) If the subsection (a) does not apply and Participant does not have a valid election in force at the time of Termination of Employment for any Class Year beginning in 2005 or later, then the value of any Class Year Account for which a valid distribution election does not exist shall be paid in five (5) annual installments beginning on the first business day of the seventh month following the Participant's Termination of Employment date, with the remaining installments paid to the Participant on each anniversary of the initial payment date.

Section 8.7. Special Payment Election Rules.

(c) Notwithstanding Sections 8.2, 8.3, 8.5 and 8.6, if a Participant terminates employment less than one (1) year after the date he first becomes eligible to participate in this Plan, then an election made by the Participant under this Section 8 no later than thirty (30) days after the date he first becomes eligible to participate in this Plan shall continue in effect for the remainder of the Class Year to which such election relates.

(d) The timing of a distribution of a Participant's Account may not be accelerated, except in the event of an Unforeseeable Emergency or other permissible acceleration of distribution under the following sections of the Final 409A Regulations: Section 1.409A-3(j)(4)(iii) (conflicts of interest), (j)(4)(vi) (payment of employment taxes), (j)(4)(vii) (payment upon income inclusion under Code Section 409A), (j)(4)(ix) (plan terminations and liquidation), (j)(4)(xi) (payment of state, local or foreign taxes), (j)(4)(xiii) (certain offsets) and (i)(4)(xiv) (bona fide disputes).

(e) Any change which delays the timing of distributions or changes the form of distributions from a Participant's Account may be made only if the following requirements are met:

(i) Any election to change the time and form of distribution may not take effect until at least 12 months after the date on which the election is made;

(ii) Other than in the event of death, the first payment with respect to the election described in (i) above, must be deferred for a period of at least 5 years from the date such payment otherwise would have been made; and

(iii) Any election related to a payment to be made at a specified time may not be made less than 12 months prior to the date of the first scheduled payment.

Any election to change the time or form of distribution from a Participant's Account must be in effect at least 12 months before the Participant's Termination of Employment in order to be valid. The election shall be irrevocable once it is made.

Section 9. Payment of Deferred Compensation After Death. If a Participant dies prior to complete payment of his or her Account, the balance of such Account, valued as of the Valuation Date immediately preceding the date payment is made, shall be paid in a single, lump sum payment no later than ninety (90) days after the Participant's death to: (i) the beneficiary or contingent beneficiary designated by the Participant in accordance with procedures established by the Compensation Group, or (ii) in the absence of a valid designation of a beneficiary or contingent beneficiary, the legal representative of the deceased Participant's estate.

Section 10. Acceleration of Payment for Unforeseeable Emergency.

Section 10.1. Unforeseeable Emergency. Upon written approval from the Company's senior executive officer responsible for human resources ("Senior HR Executive"), with respect to Participants other than executive officers of the Company, and by the Compensation Committee, with respect to Participants who are executive officers of the Company, and subject to the restrictions in the next two sentences, a Participant, whether or not he or she is still employed by the Company or any of its U.S. Subsidiaries, may be permitted to receive all or part of his or her Account if the Company's Senior HR Executive (or his delegate), or the Compensation Committee, as applicable, determines that the Participant has suffered an Unforeseeable Emergency. The amount distributed may not exceed the amount necessary to satisfy the Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution. A distribution on account of Unforeseeable Emergency may not be made to the extent that such Unforeseeable Emergency is or may be relieved through (i) reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or (iii) by cessation of deferrals under the Plan. If the payment date due to Unforeseeable Emergency occurs while the Participant is employed by the Company or any of its U.S. Subsidiaries, any election to defer compensation for the Class Year in which the payment is made shall be ineffective as to compensation earned for the pay period following the pay period in which the payment is made and thereafter for the remainder of such Class Year and shall be ineffective as to any other compensation elected to be deferred for such Class Year.

Section 10.2. Section 16 Insiders. A Section 16 Insider may only receive a payment under this Section 10 from any portion of his or her Account credited to the Stock Fund if he or she has made no election within the previous six months to effect a fund-switching transfer into the Stock Fund or the Eastman Stock Funds of the EIP/ESOP or any other "opposite way" intra-plan transfer into a Company equity securities fund which constitutes a "Discretionary Transaction" as defined in Rule 16b-3 under the Exchange Act.

Section 10.3. Pro Rata Withdrawal. A Participant's election to receive payment of less than all of the balance credited to his or her Account under Section 10.1 above shall be applied pro rata to all of the investment funds to which the Participant's Account is credited under this Plan.

Section 11. Non-Competition and Non-Disclosure Provision. Participant will not, without the written consent of the Company, either during his or her employment by Company or any of its U.S. Subsidiaries or thereafter, disclose to anyone or make use of any confidential information which he or she has acquired during his or her employment relating to any of the business of the Company or any of its subsidiaries, except as such disclosure or use may be required in connection with his or her work as an employee of Company or any of its U.S. Subsidiaries. During a Participant's employment by the Company or any of its U.S. Subsidiaries, and for a period of two years after the termination of such employment, he or she will not, without the written consent of the Company, either as principal, agent, consultant, employee or otherwise, engage in any work or other activity in competition with the Company in the field or fields in which he or she has worked for the Company or any of its U.S. Subsidiaries. The agreement in this Section 11 applies separately in the United States and in other countries but only to the extent that its application shall be reasonably necessary for the protection of the Company. Any consent of the Company under this Section shall be provided by the Senior HR Executive.

Section 12. Participant's Rights Unsecured. The benefits payable under this Plan shall be paid by the Company each year out of its general assets. To the extent a Participant acquires the right to receive a payment under this Plan, such right shall be no greater than that of an unsecured general creditor of the Company. No amount payable under this Plan may be assigned, transferred, encumbered or subject to any legal process for the payment of any claim against a Participant. The Stock Fund shall not confer on any Participant the right to exercise any of the rights or privileges of a shareowner of Common Stock.

Section 13. No Right to Continued Employment. Participation in this Plan shall not give any employee any right to remain in the employ of the Company or any of its U.S. Subsidiaries. The Company and each employer U S. Subsidiary reserve the right to terminate any Participant at any time.

Section 14. Statement of Account. Statements will be made available no less frequently than annually to each Participant or his or her estate showing the value of the Participant's Account.

Section 15. Deductions. The Company will withhold to the extent required by law an applicable income and other taxes from amounts deferred or paid under this Plan.

Section 16. Administration.

Section 16.1. Responsibility. Except as expressly provided otherwise herein, the Compensation Committee shall have total and exclusive responsibility to control, operate, manage and administer this Plan in accordance with its terms.

Section 16.2. Authority of the Compensation Committee. The Compensation Committee shall have all the authority that may be necessary or helpful to enable it to discharge its responsibilities with respect to this Plan. Without limiting the generality of the preceding sentence, the Compensation Committee shall have the exclusive right to interpret this Plan, to determine eligibility for participation in this Plan, to decide all questions concerning eligibility for and the amount of benefits payable under this Plan, to construe any ambiguous provision of this Plan, to correct any default, to supply any omission, to reconcile any inconsistency, and to decide any and all questions arising in the administration, interpretation, and application of this Plan.

Section 16.3. Discretionary Authority. The Compensation Committee shall have full discretionary authority in all matters related to the discharge of its responsibilities and the exercise of its authority under this Plan including, without limitation, its construction of the terms of this Plan and its determination of eligibility for participation and benefits under this Plan. It is the intent that the decisions of the Compensation Committee and its action with respect to this Plan shall be final and binding upon all persons having or claiming to have any right or interest in or under this Plan and that no such decision or action shall be modified upon judicial review unless such decision or action is proven to be arbitrary or capricious.

Section 16.4. Authority of Senior HR Executive. Where expressly provided for under Sections 1.13 (b), 10, 11 and 22, the authority of the Compensation Committee is delegated to the Company's Senior HR Executive, and to that extent the provisions of Section 16.1 through 16.3 above shall be deemed to apply to such Senior HR Executive.

Section 16.5. Delegation of Authority. The Compensation Committee may provide additional delegation of some or all of its authority under this Plan to any person or persons provided that any such delegation be in writing.

Section 17. Amendment. The Board may suspend or terminate this Plan at any time; provided that any payments on account of termination of the Plan must comply with the requirements of Section 1.409A-3(j)(4)(ix) of the Final 409A Regulations. In addition, the Board may, from time to time, amend this Plan in any manner without shareowner approval; provided however, that the Board may condition any amendment on the approval of shareowners if such approval is necessary or advisable with respect to tax, securities, or other applicable laws. However, no amendment, modification, or termination shall, without the consent of a Participant, adversely affect such Participant's accruals in his or her Account as of the date of such amendment, modification, or termination.

Section 18. Governing Law. This Plan shall be construed, governed and enforced in accordance with the law of Tennessee, except as such laws are preempted by applicable federal law.

Section 19. Change in Control.

Section 19.1. Background. The terms of this Section 19 shall immediately become operative, without further action or consent by any person or entity, upon a Change in Control, and once operative shall supersede and control over any other provisions of this Plan.

Section 19.2. Amendment On or After Change in Control. On or after a Change in Control, no action, including, but not by way of limitation, the amendment, suspension or termination of this Plan, shall be taken which would affect the rights of any Participant or the operation of this Plan with respect to the balance in the Participant's Account without the written consent of the Participant, or, if the Participant is deceased, the Participant's beneficiary under this Plan (if any).

Section 19.3. Attorney Fees. The Company shall pay all reasonable legal fees and related expenses incurred by a Participant in seeking to obtain or enforce any payment, benefit or right such participant may be entitled to under this Plan after a Change in Control; provided, however, the Participant shall be required to repay any such amounts to the Company to the extent a court of competent jurisdiction issues a final and non-appealable order setting forth the determination that the position taken by the Participant was frivolous or advanced in bad faith. For purposes of this Section 19.3, the legal fees and related expenses must be incurred by the Participant within 5 years of the date the Change in Control occurs. All reimbursements must be paid to the Participant by the Company no later than the end of the tax year following the tax year in which the expense is incurred.

Section 20. Compliance with SEC Regulations. It is the Company's intent that this Plan comply in all respects with Rule 16b-3 of the Exchange Act, and any regulations promulgated thereunder. If any provision of this Plan is found not to be in compliance with such rule, the provision shall be deemed null and void. All transactions under this Plan, including, but not by way of limitation, a Participant's election to defer compensation under Section 7 and withdrawals in the event of a Hardship or Unforeseeable Emergency under Section 10, shall be executed in accordance with the requirements of Section 16 of the Exchange Act, as amended and any regulations promulgated thereunder. To the extent that any of the provisions contained herein do not conform with Rule 16b-3 of the Exchange Act or any amendments thereto or any successor regulation, then the Committee may make such modifications so as to conform this Plan to the Rule's requirements.

Section 21. Successors and Assigns. This Plan shall be binding upon the successors and assigns of the parties hereto.

Section 22. Claims Procedures.

(a) Benefits under this Plan will be paid only if the Committee decides in its discretion that the applicant is entitled to them. In accordance with Section 16.4, the Committee has determined that all claims for benefits under the Plan shall be submitted to the Senior HR Executive, which shall have the initial responsibility for determining the eligibility of any Participant or beneficiary for benefits. Applications for benefits shall be submitted within two years of the later of (i) the date on which payment of benefits under the Plan was made, or (ii) the date on which the action complained or grieved of occurred. The Senior HR Executive may adopt forms for the submission of claim for benefits in which case all claims for benefits shall be filed on such forms.

(b) Any claims for benefits shall be made in writing and shall set forth the facts which such Participant or beneficiary believes to be sufficient to entitle him to the benefit claimed. Each such claim must be supported by such information and data as the Senior HR Executive deems relevant and appropriate. Evidence of age, marital status (and, in the appropriate instances, health, death or Disability), and location of residence shall be required of all claims for benefits.

(c) If a claim for benefits is denied in whole or in part, the Senior HR Executive shall give the claimant written notice of the decision within ninety (90) days of the date the claim was submitted. Such written notice shall set forth in a manner calculated to be understood by the claimant (i) the specific reason or reasons for the denial; (ii) specific references to pertinent Plan provisions on which the denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim, along with an explanation of why such material or information is necessary; and (iv) appropriate information about the steps to be taken if the claimant wishes to submit the claim for review of the denial.

(d) The ninety-day period for review of a claim for benefits may be extended for an additional ninety (90) days by a written notice to the claimant setting forth the reason for the extension, which notice shall be furnished to the claimant before the end of the original ninety (90) day period.

(e) The Committee has delegated to the Investment Plan Committee of the EIP/ESOP ("IPCO") the authority to review appeals of adverse benefit determinations under this Plan. If a claim for benefits is denied in whole or in part, the claimant or his duly authorized representative, at the claimant's sole expense, may appeal the denial to IPCO within sixty (60) days of receipt of the denial. In pursuing his appeal, the claimant or his duly authorized representative:

(i) may request in writing that IPCO review the denial;

(ii) may review pertinent documents; and

(iii) may submit issues and comments in writing.

(f) The decision on review shall be made within sixty (60) days of receipt of the request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one-hundred twenty (120) days after receipt of the request for review. If such an extension of time is required, written notice of the extension shall be furnished to the claimant before the end of the original sixty-day period. The decision on review shall be made in writing, shall be written in a manner calculated to be understood by the claimant, and in the event of an adverse decision on review shall give the specific reason or reasons for the denial, shall include specific references to the provision of the plan on which any claim denial is based, and shall inform the claimant that access will be afforded to all documents pertinent to the claim for benefits. No action at law or in equity to recover benefits under the Plan shall be commenced later than one year from the date a decision on review is furnished to the claimant.

(g) All power and authority granted to the Committee for purposes of this provision may be delegated by the Committee to any person, committee, or entity pursuant to a specific or general delegation.

Section 23. Compliance with Section 409A. At all times during each Class Year, this Plan shall be administered and interpreted in accordance with the requirements of Code Section 409A and the Final 409A Regulations. In all cases, the provisions of this Section shall apply notwithstanding any contrary provision of the Plan that is not contained in this Section.

SCHEDULE A

[intentionally blank]

Exhibit 10.14

AMENDED AND RESTATED
EASTMAN DIRECTORS' DEFERRED COMPENSATION PLAN

(Effective as of December 1, 2014)

EASTMAN CHEMICAL COMPANY

AMENDED AND RESTATED
EASTMAN DIRECTORS' DEFERRED COMPENSATION PLAN

TABLE OF CONTENTS

AMENDED AND RESTATED
EASTMAN DIRECTORS' DEFERRED COMPENSATION PLAN

Preamble. This Amended and Restated Eastman Directors' Deferred Compensation Plan is an unfunded, non-qualified deferred compensation arrangement for non-employee members of the Board of Directors of Eastman Chemical Company (the "Company"). Under this Plan, each Eligible Director is annually given an opportunity to elect to defer payment of part of his or her compensation for serving as a non-employee director. This Plan originally was adopted effective January 1, 1994, was amended and restated effective as of December 1, 1994, May 2, 1996, October 10, 1996, August 1, 2007 and December 31, 2008 (in order to comply with Code Section 409A and guidance issued thereunder). The Plan was last amended and restated effective as of August 4, 2011.

Section 1. Definitions.

Section 1.1 "Account" means the account established for a Participant under the Plan. A Participant's Account is further sub-divided into a Grandfathered Account and a Non-Grandfathered Account, as well as separate Class Year Accounts.

Section 1.2 "Board" means the Board of Directors of the Company.

Section 1.3 "Board Termination Date" has the meaning described in Section 8.3(a).

Section 1.4 "Change in Control" shall have the meaning specified below.

(a) For all purposes other than Section 17.3, the term "Change in Control" means a change in control of the Company of a nature that would be required to be reported (assuming such event has not been previously reported") in response to Item l(a) of a Current Report on Form 8-K, as in effect on December 31, 2001, pursuant to Section 13 or 15(d) of the Exchange Act; provided that, without limitation, a Change in Control shall be deemed to have occurred at such time as:

(i) any "person" within the meaning of Section 14(d) of the Exchange Act, other than the Company, a subsidiary of the Company, or any employee benefit plan(s) sponsored by the Company or any subsidiary of the Company, is or has become the "beneficial owner," as defined in Rule l3d-3 under the Exchange Act, directly or indirectly, of 25% or more of the combined voting power of the outstanding securities of the Company ordinarily having the right to vote at the election of directors; provided, however, that the following will not constitute a Change in Control: any acquisition by any corporation if, immediately following such acquisition, more than 75% of the outstanding securities of the acquiring corporation ordinarily having the right to vote in the election of directors is beneficially owned by all or substantially all of those persons who, immediately prior to such acquisition, were the beneficial owners of the outstanding securities of the Company ordinarily having the right to vote in the election of directors;

(ii) individuals who constitute the Board on January 1, 2002 (the "Incumbent Board") have ceased for any reason to constitute at least a majority thereof, provided that: any person becoming a director subsequent to January 1, 2002 whose election, or nomination for election by the Company's shareowners, was approved by a vote of at least three-quarters (3/4) of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board;

(iii) upon approval by the Company's shareowners of a reorganization, merger or consolidation, other than one with respect to which all or substantially all of those persons who were the beneficial owners, immediately prior to such reorganization, merger or consolidation, of outstanding securities of the Company ordinarily having the right to vote in the election of directors own, immediately after such transaction, more than 75% of the outstanding securities of the resulting corporation ordinarily having the right to vote in the election of directors; or

(iv) upon approval by the Company's stockholders of a complete liquidation and dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company other than to a subsidiary of the Company.

(b) For purposes of Section 17.3 only, a "Change in Control" shall be deemed to have occurred at such time as:

(i) any "person" within the meaning of Section 14(d) of the Exchange Act, other than the Company, a subsidiary of the Company, or any employee benefit plan(s) sponsored by the Company or any subsidiary of the Company, becomes or has become the "beneficial owner," as defined in Rule l3d-3 under the Exchange Act, directly or indirectly, of more than 50% of the total fair market value or the combined voting power of the outstanding securities of the Company ordinarily having the right to vote at the election of directors; provided, however, that the following will not constitute a Change in Control: any acquisition by any corporation if, immediately following such acquisition, 50% or more of the outstanding securities of the acquiring corporation ordinarily having the right to vote in the election of directors is beneficially owned by all or substantially all of those persons who, immediately prior to such acquisition, were the beneficial owners of the outstanding securities of the Company ordinarily having the right to vote in the election of directors;

(ii) any "person" within the meaning of Section 14(d) of the Exchange Act, other than the Company, a subsidiary of the Company, or any employee benefit plan(s) sponsored by the Company or any subsidiary of the Company, becomes (or has become during the 12-consecutive-month period ending on the date of the most recent acquisition or acquisitions by such person) the "beneficial owner," as defined in Rule l3d-3 under the Exchange Act, directly or indirectly, of 30% or more of the combined voting power of the outstanding securities of the Company ordinarily having the right to vote at the election of directors; provided, however, that the following will not constitute a Change in Control: any acquisition by any corporation if, immediately following such acquisition, more than 70% of the outstanding securities of the acquiring corporation ordinarily having the right to vote in the election of directors is beneficially owned by all or substantially all of those persons who, immediately prior to such acquisition, were the beneficial owners of the outstanding securities of the Company ordinarily having the right to vote in the election of directors;

(iii) individuals who constitute the Board on January 1, 2002 (the "Incumbent Board") are replaced during a 12-consecutive-month period such that the Incumbent Board is no longer a majority of the Board, provided that: any person becoming a director subsequent to January 1, 2002 whose election, or nomination for election by the Company's shareowners, was approved by a vote of at least three-quarters (3/4) of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board; or

(iv) there occurs a reorganization, merger or consolidation, other than one with respect to which all or substantially all of those persons who were the beneficial owners, immediately prior to such reorganization, merger or consolidation, of outstanding securities of the Company ordinarily having the right to vote in the election of directors own, immediately after such transaction, 50% or more of the outstanding securities of the resulting corporation ordinarily having the right to vote in the election of directors.

Notwithstanding anything in this Plan to the contrary, no event or series of events will be deemed to constitute a "Change in Control" for purposes of this subsection (b) unless both (i) the event or series of events constitutes a "change in control event" as defined under Section 409A and the Final 409A Regulations and (ii) the event or series of events would have constituted a Change in Control as defined under the Plan as in effect immediately prior to this amendment and restatement of the Plan.

Section 1.5 "Class Year" means each calendar year. Notwithstanding the foregoing, the "2004 Class Year" includes all amounts deferred into this Plan in 2004 and in any calendar years prior to 2004, plus any earnings accruing to the Participant's 2004 Class Year.

Section 1.6 "Code" means the Internal Revenue Code of 1986, as amended.

Section 1.7 "Common Stock" means the $.01 par value common stock of the Company.

Section 1.8 "Company" means Eastman Chemical Company.

Section 1.9 "Compensation Group" shall mean the Company's internal organization responsible for the administration of the payment of benefits under this Plan.

Section 1.10 "Deferrable Amount" means an amount equal to the sum of the Eligible Director's cash compensation, including retainer, meeting fees, and any other compensation otherwise payable in cash plus any non-elective deferrals contributed to this Plan by the Company on behalf of an Eligible Director.

Section 1.11 "Eligible Director" means a member of the Board who is not an employee of the Company or any subsidiary of the Company.

Section 1.12 Reserved.

Section 1.13 "Enrollment Period" means the period designated by the Compensation Group or the Nominating and Corporate Governance Committee each year; provided however, that such period shall end on or before December 31 of the Class Year immediately prior to the Class Year to which the Enrollment Period relates.

Section 1.14 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

Section 1.15 "Final 409A Regulations" means final Treasury Regulations promulgated under Code Section 409A.

Section 1.16 "Grandfathered Account" means the value of the Account of each Participant on December 31, 2004, including (i) any amounts the Participant is entitled to receive during 2004 that have not be credited to a Participant's Account as of December 31, 2004, and (ii) any earnings accruing to the Participant's Grandfathered Account. For purposes of this Plan, no portion of a Participant's Grandfathered Account shall be subject to Code Section 409A. For purposes of this Plan, the "Non-Grandfathered Account" shall equal the value of the Participant's Account on the Participant's Board Termination Date, minus the amount of the Participant's Grandfathered Account. The Non-Grandfathered Account shall be subject to Code Section 409A.

Section 1.17 "Hardship" means an emergency event beyond the Participant's control which would cause the Participant severe financial hardship if the payment of amounts from his or her Account were not approved. Any distribution for Hardship shall be limited to distributions from the Participant's Grandfathered Account.

Section 1.18 "Initial Enrollment Period" means, for an Eligible Director who is newly elected or appointed to serve as an Eligible Director, the period ending no later than thirty (30) days after the date on which such Eligible Director was elected or appointed, and beginning on such earlier date as may be established by the Compensation Group. An Eligible Director who is re-elected or re-appointed to the Board after a period of not having been a member of the Board may enroll during the Initial Enrollment Period only if he or she was not eligible to participate in this Plan at any time during the twenty-four (24) month period prior to his re-election or re-appointment.

Section 1.19 "Nominating and Corporate Governance Committee" means the Nominating and Corporate Governance Committee of the Board.

Section 1.20 "Plan" means this amended and restated Eastman Directors' Deferred Compensation Plan.

Section 1.21 "Participant" means an Eligible Director who elects for one or more Class Years to defer compensation pursuant to this Plan or who has non-elective deferrals contributed to his Account by the Company.

Section 1.22 "Section 16 Insider" means a Participant who is, with respect to the Company, subject to the reporting requirements of Section 16 of the Exchange Act.

Section 1.23 "Stock Fund" has the meaning assigned to that term in Section 4.2.

Section 1.24 "Unforeseeable Emergency" means severe financial hardship of the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's beneficiary or a dependent (as defined in Code Section 152 without regard to Code Section 152(b)(1), (b)(2) and (d)(1)(B), loss of the Participant's property due to casualty (including the need to rebuild a home not otherwise covered by insurance), or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Except as otherwise provided herein, the purchase of a home and the payment of college tuition are not unforeseeable emergencies. Any distribution for an Unforeseeable Emergency shall be limited to amounts in a Participant's Non-Grandfathered Account.

Section 1.25 "Valuation Date" means each business day.

Section 2. Deferral of Compensation. An Eligible Director may elect to defer receipt of all or any portion of his or her Deferrable Amount to his or her Account for the applicable Class Year. If, after the start of a Class Year, an Eligible Director terminates service on the Board or otherwise ceases to be an Eligible Director, any previous Class Year deferral election and distribution election relating to any Deferrable Amount for such Class Year shall remain in effect for any such Deferrable Amount payable with respect to such Class Year.

Section 3. Deferral Elections.

Section 3.1 General. An Eligible Director who wishes to defer compensation must irrevocably elect to do so during the applicable Enrollment Period. The Enrollment Period shall end prior to the first day of the service year with respect to the applicable Deferrable Amount. The "service year" is the Eligible Director's taxable year in which the services related to the Deferrable Amount will be performed by the Eligible Director. Elections shall be made annually for each Class Year. An election made during an Enrollment Period shall become irrevocable on the date the Enrollment Period ends.

Section 3.2 Elections During the Initial Enrollment Period. Notwithstanding the foregoing, in the first Class Year in which a person becomes an Eligible Director by reason of being appointed or elected to the Board, the Eligible Director may elect to defer receipt of all or any portion of his or her Deferrable Amount earned on and after the last day of the Initial Enrollment Period for services performed as a Director, provided that such deferral election is made no later than the last day of the Initial Enrollment Period and that the following conditions are met:

(a) where the Deferrable Amount will be earned over a specified performance period that began prior to the last day of the Initial Election Period, the amount deferred is limited to an amount equal to the amount payable for the performance period multiplied by the ratio of the number of days remaining in the performance period after the last day of the Initial Enrollment Period over the total number of days in the performance period, and

(b) in the case of a re-elected or re-appointed Eligible Director, the Eligible Director has not been eligible to participate in the Plan (or any plan required to be aggregated with the Plan under the Final 409A Regulations) at any time during the twenty-four month period prior to his or her re-election or re-appointment.

A deferral election made during an Initial Enrollment Period shall become irrevocable at the time it is made.

Section 4. Investment Performance of Accounts.

Section 4.1 General. The Company shall designate at least two investment funds and may designate other investment funds to measure the deemed investment performance of each Participant's Account. The designation of any such investment funds shall not require the Company or any of its subsidiaries or affiliates to invest or earmark their general assets in any specific manner. The Company may change prospectively the designation of investment funds from time to time, in its sole discretion, and any such change shall not be treated as an amendment or modification affecting Participants' accruals under the Plan for purposes of Section 16. The investment funds designated by the Company shall be for bookkeeping purposes only.

Section 4.2 Company Stock Fund. One of the investment funds designated by the Company pursuant to Section 4.1 shall be an investment fund that is deemed to be primarily invested in shares of Common Stock (the "Stock Fund").

Section 5. Deferrals and Crediting Amounts to Accounts.

Section 5.1 Manner of Electing Deferral. An Eligible Director may elect to defer compensation for each Class Year by completing the deferral election process established by the Compensation Group. For each Class Year, each Eligible Director shall elect, in the manner specified by the Compensation Group: (i) the amount of Deferrable Amount to be deferred; (ii) the investment performance election for the deferral; and (iii) the manner of payment of such Deferrable Amount and whether the commencement of payment will be deferred to a specified calendar year following the calendar year in which occurs the Director's Board Termination Date (as such term is defined in Section 8.3) (and for any Deferrable Amount that constitutes non-elective deferrals contributed to this Plan by the Company on behalf of the Eligible Director). An election to defer compensation shall be irrevocable following the end of the applicable Enrollment Period, but the Participant's investment performance election may be modified by the Participant in the manner specified by the Company through and including the business day immediately preceding the date on which the deferred amount is credited to the Participant's Account pursuant to Section 5.2.

Section 5.2 Crediting of Amounts to Accounts. Except as otherwise provided in this Section, amounts to be deferred each Class Year shall be credited to the Participant's Account as of the date such amounts are otherwise payable and shall be credited in accordance with the Participant's investment performance election made pursuant to Section 7. Notwithstanding the foregoing, each and every Deferrable Amount, when initially credited to the Participant's Account, shall be credited to an investment fund other than the Stock Fund until the next date that dividends are paid on Common Stock and on such date the Deferrable Amount that would have been initially credited to the Stock Fund but for this sentence shall be deemed to be reallocated, as adjusted for earnings and losses, to the Stock Fund.

Section 6. Deferral Period. Subject to Sections 9, 10 and 17 hereof, the compensation which a Participant elects to defer under this Plan shall be deferred until the Participant dies or ceases to serve as a member of the Board. Any such election shall be made during the applicable Enrollment Period or Initial Enrollment Period in the manner established by the Compensation Group. The payment of a Participant's account shall be governed by Sections 8, 9, 10 and 17, as applicable.

Section 7. Investment Performance Elections.

Section 7.1 Investment Performance Elections. Each Participant shall file an initial investment performance election with the Compensation Group with respect to the investment of the Participant's Account. The election shall designate the investment fund or funds which shall be used to measure the investment performance of the Participant's Account. The election shall be made within such time period and on such form as the Compensation Group may prescribe and shall be made in whole percentages of the Participant's Account balance or the Deferrable Amount to be credited to the Participant's Account, as applicable. If the Participant does not file an investment performance election, his Account shall be credited with earnings and losses as if based on the performance of a default investment fund selected by the Company in its discretion.

Section 7.2 Changing Investment Performance Elections. A Participant may change his or her election in Section 7.1 with respect to his or her Account by filing an appropriate notice with the Compensation Group in accordance with procedures established by the Compensation Group. A Participant may reallocate the current balance of his or her Account, thereby changing the investment fund or funds used to measure the future investment performance of his or her existing Account balance, by filing a notice with the Compensation Group.

Section 7.3 Special Rules for Section 16 Insiders. A Section 16 Insider may only elect to reallocate between the Stock Fund and one or more of the Plan's other investment funds if he or she has made no election within the previous six months to effect an "opposite way" fund-switching (i.e., transfer out versus transfer in) transfer into or out of the Stock Fund, or any other "opposite way" intra-plan transfer or plan distribution involving a Company equity securities fund which constitutes a "Discretionary Transaction" as defined in Rule 16b-3 under the Exchange Act. In addition, and notwithstanding the foregoing, a Section 16 Insider's Deferrable Amount that is initially deemed to be invested in an investment fund other than the Stock Fund as provided in Section 5.2, shall be reallocated, following such initial allocation, to the Stock Fund in the manner provided in Section 5.2.

Section 7.4 Distributions. All distributions from a Participant's Account shall be made in cash. Pending the complete distribution of the Account of a Participant, the Participant shall continue to be able to make elections pursuant to this Section 7.

Section 7.5 Responsibility for Investment Performance Elections. Each Participant is solely responsible for any investment performance election that he or she makes pursuant to this Section 7. Each Participant accepts all investment risks entailed by such elections, including the risk of loss and a decrease in the value of the amounts credited to his or her Account.

Section 8. Payment of Deferred Compensation.

Section 8.1 Background. No payment may be made from a Participant's Account except as provided in this Section 8 and Sections 9, 10 and 17.

Section 8.2 Manner of Payment. Payment of a Participant's Account shall be made in a single lump sum or annual installments as elected by each Participant pursuant to this Section 8 for each Class Year. The maximum number of annual installments that may be elected for Class Years ending on or before December 31, 2011 is ten. The maximum number of annual installments that may be elected for a Class Year beginning on or after January 1, 2012 is five. If a Participant elects installments, the amount of each payment shall be equal to the value, as of the preceding Valuation Date, of the Participant's Class Year Account, divided by the number of installments remaining to be paid. All payments from this Plan shall be made in cash.

Section 8.3 Timing of Payments.

(a) Payments will commence at the time specified in subsection (i) or (ii) below based on the form of payment elected by the Participant:

(i) If the Participant elected to receive his or her payment in annual installments, payments shall commence on the first business day of the month following the Participant's termination of service with the Board ("Board Termination Date"), or as soon as administratively possible thereafter, but not later than 60 days following the Participant's Board Termination Date, and the remaining installment payments will be paid on the anniversary of the initial payment date. For purposes of this Plan, each installment payment under an election of installment payments made for a Class Year ending on or before December 31, 2011 shall be considered to be a separate payment for purposes of the Final 409A Regulations. For Class Years beginning on or after January 1, 2012, installment payments under an election of installment payments (or a default payment in the form of installment payments) shall be treated as a single payment for purposes of the Final 409A Regulations.

(ii) If the Participant elected to receive his or her payment in a lump sum, payment shall be made on the first business day of the month following the Participant's Board Termination Date, or as soon as administratively possible thereafter, but not later than 60 days following the Participant's Board Termination Date.

A Participant may elect pursuant to Section 5.1 or Section 8.3(b) to designate that payment in one of the forms of payment specified above will commence in a specified calendar year following the calendar year in which occurs his or her Board Termination Date, up to and including the tenth calendar year following the calendar year in which occurs the Board Termination Date. Notwithstanding any other provision of the Plan to the contrary, the following limitations shall apply to such payment commencement elections:

(i) if the Participant has attained age 71 by, or will attain age 71 in, the calendar year in which occurs the Participant's Board Termination Date, payment shall commence on the first business day of the month following the Participant's Board Termination Date, or as soon as administratively possible thereafter, but not later than 60 days following the Participant's Board Termination Date, and

(ii) if, based on the Participant's Board Termination Date, the Participant will attain age 71 in a calendar year prior to the specified calendar year of payment elected by the Participant, payment shall commence on the first business day of the month following the Participant's 71st birthday, or as soon as administratively possible thereafter, but not later than 60 days following the Participant's 71st birthday.

(b) The timing of the distribution of a Participant's Non-Grandfathered Account may not be accelerated, except in the event of an Unforeseeable Emergency or other permissible acceleration of distribution under the following sections of the Final 409A Regulations: Section 1.409A-3(j)(4)(iii) (conflicts of interest), (j)(4)(vii) (payment upon income inclusion under Section 409A), (j)(4)(ix) (plan terminations and liquidation), (j)(4)(xi) (payment of state, local or foreign taxes), (j)(4)(xiii) (certain offsets) and (i)(4)(xiv) (bona fide disputes).

Any change which delays the timing of the distributions or changes the form of distribution from the Participant's Non-Grandfathered Account may only be made by a written agreement signed by the Nominating and Corporate Governance Committee and the Participant and only if the following requirements are met:

(i) Any election to change the time and form of distribution may not take effect until at least 12 months after the date on which the election is made;

(i) Other than in the event of death, the first payment with respect to such election must be deferred for a period of at least five years from the date such payment would otherwise be made; and

(ii) Any election related to a payment to be made at a specified time may not be made less than 12 months prior to the date of the first scheduled payment.

The election shall be irrevocable once it is made.

Any election to change the time or form of distribution from the Participant's Grandfathered Account may only be made by a written agreement signed by the Nominating and Corporate Governance Committee and the Participant and such change will be effective only if it is made at least 12 months before the Participant's Board Termination Date in order to be valid.

Section 8.4 Default Payment Distribution Elections. If a Participant does not have a valid election in force on the Participant's Board Termination Date for any Class Year, then the value of his Class Year Account(s) for which a valid distribution election does not exist shall be paid in a single lump sum to the Participant on the first business day of the month following the Participant's Board Termination Date.

Section 8.5 Valuation. If a Participant elects installments, the amount of each payment shall be equal to the value, of the preceding Valuation Date, of the Participant's Class Year Account, divided by the number of installments remaining to be paid.

Section 9. Payment of Deferred Compensation After Death. If a Participant dies prior to complete payment of his or her Accounts, the balance of such Accounts, valued as of the Valuation Date immediately preceding the date payment is made, shall be paid in a single, lump-sum payment no later than ninety (90) days after the Participant's death to: (i) the beneficiary or contingent beneficiary designated by the Participant on forms supplied by the Nominating and Corporate Governance Committee; or (ii) in the absence of a valid designation of a beneficiary or contingent beneficiary, the legal representative of the deceased Participant's estate.

Section 10. Acceleration of Payment in Certain Circumstances.

Section 10.1 Hardship or Unforeseeable Emergency. Hardship distributions shall be limited to amounts in a Participant's Grandfathered Account and distributions for an Unforeseeable Emergency shall be limited to amounts in a Participant's Non-Grandfathered Account. Upon written approval from the Nominating and Corporate Governance Committee, a Participant may be permitted to receive all or part of his or her Accounts if the Nominating and Corporate Governance Committee determines that the Participant has suffered a Hardship or Unforeseeable Emergency. The amount distributed may not exceed the amount necessary to satisfy the Hardship or Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such Hardship or Unforeseeable Emergency is or may be relieved through reimbursement or compensation by insurance or otherwise by liquidation of the Participant's assets (to the extent liquidation of such assets would not itself cause severe financial hardship). In addition, in the case of a distribution to meet an Unforeseeable Emergency, a distribution may not be made to the extent that such Unforeseeable Emergency is or may be relieved by cessation of deferrals under the Plan.

Section 10.2 Payment to Individuals. Any participant in this Plan may at his or her discretion withdraw at any time all or part of that person's Grandfathered Account balance under this Plan; provided, if this option is exercised the individual will forfeit to the Company 10% of his or her account balance, and will not be permitted to participate in this Plan for a period of 36 months from date any payment to a Participant is made under this section.

Section 10.3 Other Accelerated Payment. If under this Plan one-half or more of the Participants with a Grandfathered Account or one-fifth or more of the Participants with Grandfathered Accounts totaling one-half or more of the value of all benefits owed, exercise their option for immediate distribution in any consecutive six-month period this will trigger immediate payment to all Participants of all benefits owed under the terms of this Plan from the Grandfathered Accounts, immediate payout under this section will not involve reduction of the amounts paid to Participants as set forth in section 10.2. Any individual that has been penalized in this six-month period for electing immediate withdrawal will be paid that penalty, and continuing participation will be allowed, if payout to all Participants under this section occurs. Solely for purposes of this Section 10.3, "benefits" shall refer to amounts held in Grandfathered Accounts under this Plan.

Section 10.4 Section 16 Insiders. A Participant who is a Section 16 Insider may only receive a payment under this Section 10 from the portion of his or her Account credited to the Stock Fund if he or she has made no election within the previous six months to effect a fund-switching transfer into the Stock Fund or any other "opposite way" intra-plan transfer into a Company equity securities fund which constitutes a "Discretionary Transaction" as defined in Rule 16b-3 under the Exchange Act. If such a payment occurs while the Participant is an Eligible Director, any election to defer compensation for the year in which the Participant receives a withdrawal shall be ineffective as to compensation earned following the pay period during which the withdrawal is made and thereafter for the remainder of such Class Year and shall be ineffective as to any other compensation elected to be deferred for such Class Year.

Section 10.5 Pro Rata Withdrawal. A Participant's election to receive payment of less than all of the balance credited to his or her Account under this Section 10 shall be applied pro rata to all of the investment funds to which the Participant's Account is credited under this Plan.

Section 11. Participant's Rights Unsecured. The benefits payable under this Plan shall be paid by the Company each year out of its general assets. To the extent a Participant acquires the right to receive a payment under this Plan, such right shall be no greater than that of an unsecured general creditor of the Company. No amount payable under this Plan may be assigned, transferred, encumbered or subject to any legal process for the payment of any claim against a Participant. The Stock Fund shall not confer on any Participant the right to exercise any of the rights or privileges of a shareowner of Common Stock.

Section 12. No Right to Continued Service. Participation in this Plan shall not give any Participant any right to remain a member of the Board.

Section 13. Statement of Account. Statements will be made available no less frequently than annually to each Participant or his or her estate showing the value of the Participant's Account.

Section 14. Deductions. The Company will withhold to the extent required by law all applicable income and other taxes from amounts deferred or paid under this Plan.

Section 15. Administration.

Section 15.1 Responsibility. Except as expressly provided otherwise herein, the Nominating and Corporate Governance Committee shall have total and exclusive responsibility to control, operate, manage and administer this Plan in accordance with its terms.

Section 15.2 Authority of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee shall have all the authority that may be necessary or helpful to enable it to discharge its responsibilities with respect to this Plan. Without limiting the generality of the preceding sentence, the Nominating and Corporate Governance Committee shall have the exclusive right: to interpret this Plan, to determine eligibility for participation in this Plan, to decide all questions concerning eligibility for and the amount of benefits payable under this Plan, to construe any ambiguous provision of this Plan, to correct any default, to supply any omission, to reconcile any inconsistency, and to decide any and all questions arising in the administration, interpretation, and application of this Plan.

Section 15.3 Discretionary Authority. The Nominating and Corporate Governance Committee shall have full discretionary authority in all matters related to the discharge of its responsibilities and the exercise of its authority under this Plan including, without limitation, its construction of the terms of this Plan and its determination of eligibility for participation and benefits under this Plan. It is the intent that the decisions of the Nominating and Corporate Governance Committee and its action with respect to this Plan shall be final and binding upon all persons having or claiming to have any right or interest in or under this Plan and that no such decision or action shall be modified upon judicial review unless such decision or action is proven to be arbitrary or capricious.

Section 15.4 Delegation of Authority. The Nominating and Corporate Governance Committee may delegate some or all of its authority under this Plan to any person or persons provided that any such delegation be in writing. Where expressly provided for in this Plan, the authority of the Compensation Committee to manage and administer the Plan is delegated to the Compensation Group.

Section 15.5 Restriction on Authority of the Nominating and Corporate Governance Committee. Under any circumstances where the Nominating and Corporate Governance Committee is authorized to make a discretionary decision concerning a payment of any type under this Plan to a member of such Committee, the member of the Committee who is to receive such payment shall take no part in the deliberations or have any voting or other power with respect to such decision.

Section 16. Amendment. The Board may suspend or terminate this Plan at any time. Notwithstanding the foregoing, payments on account of Plan termination with respect to the portion of this Plan that includes the Non-Grandfathered Accounts must comply with the requirements of Section 1.409A-3(j)(4)(ix) of the Final 409A Regulations. In addition, the Board may, from time to time, amend this Plan in any manner without shareowner approval; provided, however, that the Board may condition any amendment on the approval of shareowners if such approval is necessary or advisable with respect to tax, securities, or other applicable laws. No amendment, modification, or termination shall, without the consent of a Participant, adversely affect such Participant's accruals in his or her Account as of the date of such amendment, modification, or termination.

Section 17. Change in Control.

Section 17.1 Background. The terms of this Section 17 shall immediately become operative, without further action or consent by any person or entity, upon a Change in Control, and once operative shall supersede and control over any other provisions of this Plan.

Section 17.2 Acceleration of Payment of Grandfathered Accounts. Upon the occurrence of a Change in Control, each Participant, whether or not he or she is still a Director, shall be paid in a single, lump-sum cash payment the balance of his or her Grandfathered Account as of the Valuation Date immediately preceding the date payment is made. Such payment shall be made as soon as practicable, but in no event later than 90 days after the date of the Change in Control.

Section 17.3 Acceleration of Payment of Non-Grandfathered Accounts. Upon the occurrence of a Change in Control (as defined in Section 1.4(b)), each Participant, whether or not he or she is still a Director, shall be paid in a single, lump-sum cash payment the balance of his or her Non-Grandfathered Account as of the Valuation Date immediately preceding the date payment is made. Such payment shall be made as soon as practicable, but in no event later than 90 days after the date of such Change in Control.

Section 17.4 Amendment On or After Change in Control. On or after a Change in Control, no action, including, but not by way of limitation, the amendment, suspension or termination of this Plan, shall be taken which would affect the rights of any Participant or the operation of this Plan with respect to the balance in the Participant's Account.

Section 1. Attorney Fees. The Company shall pay all reasonable legal fees and related expenses incurred by a participant in seeking to obtain or enforce any payment, benefit or right such participant may be entitled to under this plan after a Change in Control; provided, however, the Participant shall be required to repay any such amounts to the Company to the extent a court of competent jurisdiction issues a final and non-appealable order setting forth the determination that the position taken by the Participant was frivolous or advanced in bad faith. For purposes of this Section, the legal fees and related expenses must be incurred by the Participant within 5 years of the date the Change in Control occurs. All reimbursements must be paid to the Participant by the Company no later than the end of the tax year following the tax year in which the expense is incurred.

Section 18. Governing Law. This Plan shall be construed, governed and enforced in accordance with the law of Tennessee, except as such laws are preempted by applicable federal law.

Section 19. Successors and Assigns. This Plan shall be binding upon the successors and assigns of the parties hereto.

Section 20. Compliance with SEC Regulations. It is the Company's intent that this Plan comply in all respects with Rule 16b-3 of the Exchange Act, and any regulations promulgated thereunder. If any provision of this Plan is found not to be in compliance with such rule, the provision shall be deemed null and void. All transactions under this Plan, including, but not by way of limitation, a Participant's election to defer compensation under Section 7 and withdrawals in the event of Hardship or Unforeseeable Emergency under Section 10, shall be executed in accordance with the requirements of Section 16 of the Exchange Act, as amended and any regulations promulgated thereunder. To the extent that any of the provisions contained herein do not conform with Rule 16b-3 of the Exchange Act or any amendments thereto or any successor regulation, then the Nominating and Corporate Governance Committee may make such modifications so as to conform this Plan to the Rule's requirements.

Section 21. Compliance with Section 409A. At all times during each Class Year, this Plan shall be administered and interpreted in accordance with the requirements of Code Section 409A and the Final 409A Regulations. In all cases, the provisions of this Section shall apply notwithstanding any contrary provision of the Plan that is not contained in this Section. Notwithstanding the foregoing, Grandfathered Accounts shall be administered in accordance with the terms of the Plan as in effect prior to December 31, 2008.

Exhibit 10.24

PERFORMANCE SHARE AWARD SUBPLAN

OF THE 2012 OMNIBUS STOCK COMPENSATION PLAN

2015-2017 PERFORMANCE PERIOD

EASTMAN CHEMICAL COMPANY

EASTMAN CHEMICAL COMPANY
PERFORMANCE SHARE AWARD SUBPLAN
OF THE 2012 OMNIBUS STOCK COMPENSATION PLAN
2015-2017 PERFORMANCE PERIOD

Section 1. Background. Under Article 4 of the Eastman Chemical Company 2012 Omnibus Stock Compensation Plan (the "Plan"), the "Committee" (as defined in the Plan), may, among other things, award shares of the $.01 par value common stock ("Common Stock") of Eastman Chemical Company (the "Company") to "Participants" (as defined in the Plan), and such awards may take the form of "Performance Awards" (as defined in the Plan) which are contingent upon the attainment of certain performance objectives during a specified period, and subject to such other terms, conditions, and restrictions as the Committee deems appropriate. Performance Awards may be structured as "Qualified Performance-Based Awards" (as defined in the Plan) in order to be exempt from the compensation deduction limit of Section 162(m) of the Internal Revenue Code of 1986 ("Code Section 162(m)").The purpose of this Performance Share Award Subplan (this "Subplan") is to set forth the terms of the Performance Awards to be awarded for the 2015-2017 Performance Period specified herein, effective as of January 1, 2015 (the "Effective Date").

Section 2. Definitions.

(a) The following definitions shall apply to this Subplan:

(i) "Actual Grant Amount" means the number of shares of Common Stock to which a participant is entitled under a Performance Award, calculated in accordance with Section 6 of this Subplan.

(ii) "Award Amount" means the number of shares of Common Stock subject to the Performance Award granted to the Participant under this Subplan at the beginning of the Performance Period.

(iii) "Award Payment Date" means the date the Committee approves the payout of Common Stock covered by an award under this Subplan to a Participant.

(iv) "Comparison Group" is the group of companies within the S&P 1500 "Materials Sector" that are classified by Standard & Poor's as Chemical companies. The S&P "Materials Sector" index is an index of industrial companies selected from the S&P "Super Composite 1500" Index.

(v) "Cost of Capital" reflects the Company's cost of debt and the cost of equity, expressed as a percentage, reflecting the percentage of interest charged on debt and the percentage of expected return on equity. "Cost", "debt", "equity", "interest", "interest charged on debt", and "return on equity" shall be determined and measured in accordance with accounting principles generally accepted in the United States ("GAAP") as applied in preparing the Company's consolidated financial statements as of the Effective Date, excluding the impact of any subsequent changes during the Performance Period in GAAP or in the manner of application of GAAP in the preparation of the Company's consolidated financial statements, and including the results from any operations which are included in the Company's continuing operations as of the Effective Date and which are subsequently presented as discontinued operations during the Performance Period as a result of a divestiture.

(vi) "Earnings from Continuing Operations" shall be defined as the total sales of the Company minus the costs of all operations of any nature used to produce such sales, including taxes, plus after-tax interest associated with the Company's capital debt (as defined in Section 2(a)(xii)). "Sales", "costs of operations", "taxes", and "after-tax interest associated with capital debt" shall be determined and measured in accordance with accounting principles generally accepted in the United States ("GAAP"), as applied in preparing the Company's consolidated financial statements as of the Effective Date, excluding the impact of any subsequent changes during the Performance Period in GAAP or in the manner of application of GAAP in the preparation of the Company's consolidated financial statements, and including the results from any operations which are included in the Company's continuing operations as of the Effective Date and which are subsequently presented as discontinued operations during the Performance Period as a result of a divestiture.

(vii) “Maximum Deductible Amount” means the maximum amount deductible by the Company, taking into consideration the limitations under Code Section 162(m), of the Internal Revenue Code of 1986, as amended, or any similar or successor provisions thereto.

(viii) “Participation Date” means February 27, 2015.

(ix) “Performance Period” means January 1, 2015 through December 31, 2017.

(x) “Performance Year” means one of the three calendar years in the Performance Period.

(xi) “Qualifying Termination” means a termination of employment when one of the following criteria has been met: combined age and years of service which equals or exceeds 75; age 55 and 10 years of service; or age 50 or greater at hire date, and 5 years of service; or age 65.

(xii) “Return on Invested Capital” shall mean the return produced by funds invested in the Company and shall be determined as Earnings from Continuing Operations, as defined in Section 2(a)(vi), divided by the Average Capital Employed. The impact on Earnings from Continuing Operations and on Average Capital Employed of one or more acquisitions with an aggregate purchase price of $300 million or more and of individual acquisitions with a purchase price of greater than $100 million shall be excluded for the calendar year in which the acquisition or acquisitions occur. Average Capital Employed shall be derived by adding the Company’s capital debt plus equity at the close of the last day of the year preceding the Performance Year to the Company’s capital debt plus equity at the close of the last day of the present Performance Year, with the resulting sum being divided by two. Capital debt is defined as the sum of borrowing by the Company due within one year and long-term borrowing, as designated on the Company’s balance sheet. The resulting ratio shall be multiplied by One Hundred (100) in order to convert such to a percentage. Such percentage shall be calculated to the third place after the decimal point (i.e., xx.xxx%), and then rounded to the second place after the decimal point (i.e., xx.xx%). “Equity”, “borrowing due within one year”, and “long-term borrowing” shall be determined and measured in accordance with accounting principles generally accepted in the United States (“GAAP”), as applied in preparing the Company’s consolidated financial statements as of the Effective Date, excluding the impact of any subsequent changes during the Performance Period in GAAP or in the manner of application of GAAP in the preparation of the Company’s consolidated financial statements, and including the results from any operations which are included in the Company's continuing operations as of the Effective Date and which are subsequently presented as discontinued operations during the Performance Period as a result of a divestiture.

(xiii) “Target Award” means, with respect to any eligible Participant, the targeted value based on the percentage of base salary specified on Exhibit A hereto for the Salary Grade applicable to such Participant.

(xiv) “TSR” means total stockholder return, as reflected by the sum of (A) change in stock price (measured as the difference between (I) the average of the closing prices of a company’s common stock on the New York Stock Exchange, or of the last sale prices or closing prices of such stock on another national trading exchange, as applicable, in the period beginning on the tenth trading day preceding the beginning of the Performance Period and ending on the tenth trading day of the Performance Period and (II) the average of such closing or last sale prices for such stock in the period beginning on the tenth trading day preceding the end of the Performance Period and ending on the tenth trading day following the end of the Performance Period) plus (B) dividends declared, assuming reinvestment of dividends, and expressed as a percentage return on a stockholder’s hypothetical investment.

(b) Any capitalized terms used but not otherwise defined in this Subplan shall have the respective meanings set forth in the Plan.

Section 3. Administration. This Subplan shall be administered by the Compensation and Management Development Committee of the Board of Directors. The Committee shall have authority to interpret this Subplan, to prescribe rules and regulations relating to this Subplan, and to take any other actions it deems necessary or advisable for the administration of this Subplan, and shall retain all general authority granted to it under Article 4 of the Plan. At the end of the Performance Period, the Committee shall approve Actual Grant Amounts awarded to participants under this Subplan in accordance with the applicable approval and certification requirements specified in the Plan.

Section 4. Eligibility; Types of Awards. The Participants who are eligible to participate in this Subplan are those employees who, as of the Participation Date, are at Salary Grade 49 and 105 and above. Employees who are promoted during the Performance Period to a position that would meet the above criteria, but who do not hold such position as of the Participation Date, are not eligible to participate in this Subplan. The Covered Employees identified on Schedule A shall receive Performance Awards that are Qualified Performance-Based Awards. The remainder of the Participants shall receive Performance Awards that are not intended to be Qualified Performance-Based Awards.

Section 5. Form of Payout of Awards. Subject to the terms and conditions of the Plan and this Subplan, amounts earned in connection with the Performance Awards under this Subplan shall be paid out in the form of unrestricted shares of Common Stock; provided, however, that any fractional share of Common Stock, payable as a result of Section 9 of this Subplan or otherwise, shall be paid in cash in an amount representing the market value of such fractional share at the time of payment.

Section 6. Size of Awards.

(a) Target Award. Exhibit A hereto shows by Salary Grade the Target Long- Term Incentive Award as a percentage of base salary and the percentage of Performance Shares determined by Salary Grade. The Salary Grade to be used in determining the percentage of base salary for any Award Amount to a Participant under this Subplan shall be the Salary Grade applicable to the position held by the participant on the Participation Date. The actual size of the Award Amount to the Participant shall be determined by the Committee with respect to Participants who are executive officers of the Company, and by the Committee's senior management delegates in the case of all other Participants, based on the Participant's past performance and potential for contributions to the Company's future long term success. Based on this assessment, the Participant may receive no award, the target award amount, or any amount within the Target Award range of ±25% converted to increments of full Shares. The Committee shall provide its delegates with guidelines for determining the cumulative award targets for Participants who are not executive officers of the Company.

(b) Actual Grant Amount. Subject to the Committee's authority to adjust the Actual Grant Amount described in Section 12, the Actual Grant Amount awarded to the Participant at the end of the Performance Period is determined by applying a multiplier to the Participant's Award Amount. The multiplier shall be determined by comparing Company performance relative to two measures:

i. The Company's TSR during the Performance Period relative to the TSRs of the companies in the Comparison Group during the Performance Period. The Company and each company in the Comparison Group shall be ranked by TSR, in descending order, with the company having the highest TSR during the Performance Period being ranked number one. The Comparison Group shall further be separated into quintiles (first 20%, second 20%, etc.) and the Company's position, in relation to the Comparison Group, shall be expressed as a position in the applicable quintile ranking; and

ii. The arithmetic average, for each of the Performance Years during the Performance Period, of the Company's average Return on Invested Capital. Moreover, in the case of Performance Awards that are intended to be Qualified Performance-Based Awards, Return on Invested Capital will be measured in a manner that complies with Code Section 162(m), including the requirement that the performance goals be objectively measured.

An award multiplier table is shown in Exhibit B. The award multiplier is based on the Company's performance relative to its quintile ranking relative to the Comparison Group, and its average Return on Invested Capital during the Performance Period. The award multipliers range from 2.5 (*i.e.,* 250%), if the Company's TSR is in the top performing quintile (top 20%) of companies in the Comparison Group and the average Return on Invested Capital is greater than 15 percentage points, to 0.0 (with no shares of Common Stock earned by Participants under this Subplan) if the Company does not meet the specified levels of performance relative to the two measures.

Section 7. Composition of Comparison Group.

(a) Qualified Performance-Based Awards. In the case of Performance Awards that are intended to be Qualified Performance-Based Awards, any member of the Comparison Group that ceases to exist during the Performance Period shall be disregarded for the entire Performance Period. There shall be no other adjustments in the Comparison Group after commencement of the Performance Period with respect to Performance Awards that are intended to be Qualified Performance-Based Awards.

(b) Performance Awards. In the case of Performance Awards that are not intended to be Qualified Performance-Based Awards, the Committee retains the discretion to make the following adjustments in the Comparison Group during the Performance Period. A company in the Comparison Group may be dropped from the Comparison Group if a company's common stock ceases to be publicly traded on a national stock exchange or market; or a company is a party to a significant merger, acquisition, or other reorganization. Under these, or similar, circumstances, the company or companies may be removed from the Comparison Group, and may be replaced with another company or companies by Standard & Poor's, consistent with their established criteria for selection of companies for the Comparison Group. In any case where the Comparison Group ceases to exist, or is otherwise determined to no longer be appropriate as the basis for a measure under this Subplan, the Committee may designate a replacement Comparison Group. In any such case, the Committee shall have authority to determine the appropriate method of calculating the TSR of such former and/or replacement Comparison Group, whether by complete substitution of the replacement Comparison Group (and disregard of the former Comparison Group) over the entire Performance Period or by pro rata calculations for each Comparison Group or otherwise.

Section 8. Preconditions to Payout Under Performance Awards.

(a) Continuous Employment. Except as specified in paragraph (b) below, to be eligible for payout under a Performance Award under this Subplan, a Participant must remain continuously employed with the Company or a Subsidiary at all times from the Effective Date through the Award Payment Date.

(b) Qualifying Termination, Death, Disability, or Termination for an Approved Reason Before the Award Payment Date. If a Participant's employment is terminated due to a Qualifying Termination, death, disability, or any approved reason as determined by the Committee (in the case of an executive officer) or the executive officer responsible for Human Resources (in the case of non-executive officers) prior to the Award Payment Date, the Participant shall receive, subject to the terms and conditions of the Plan and this Subplan, a payout representing a prorated portion of the Actual Grant Amount to which such Participant otherwise would have been entitled to receive under Section 6 of this Subplan had the Participant remained in employment to the end of the Performance Period, with the precise amount of such payout to be determined by multiplying the Actual Grant Amount by a fraction, the numerator of which is the number of full calendar months employed in the Performance Period from the award effective date through and including the effective date of such termination, and the denominator of which is 36 (the total number of months in the Performance Period).

Section 9. Manner and Timing of Award Payments.

(a) Timing of Award Payment. Except as provided in Section 9(c), if any Awards are payable under this Subplan, the payment of such Awards to Participants shall be made as soon as is administratively practicable after final approval by the Committee of such payments and within the first taxable year immediately following the end of the Performance Period.

(b) Tax Withholding. The Company may withhold or require the grantee to remit a cash amount sufficient to satisfy federal, state, and local taxes (including the participant's FICA obligation) required by law to be withheld. Further, either the Company or the grantee may elect to satisfy the withholding requirement by having the Company withhold shares of Common Stock having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction.

(c) Deferral of Award in Excess of the Maximum Deductible Amount. If payment under a Performance Award would, or could in the reasonable estimation of the Committee, result in the participant's receiving compensation in excess of the Maximum Deductible Amount in a given year, then such portion (or all, as applicable) of the Award as would, or could in the reasonable estimation of the Committee, cause such participant to receive compensation from the Company in excess of the Maximum Deductible Amount may, at the sole discretion of the Committee, be converted into the right to receive a cash payment, which shall be paid at such time as permitted under Internal Revenue Code Section 409A and applicable Treasury Regulations and guidance thereunder.

Section 10. No Rights as Stockholder. No certificates for shares of Common Stock shall be issued under this Subplan, nor shall any participant have any rights as a stockholder as a result of participation in this Subplan, until the Actual Grant Amount has been determined and such participant has otherwise become entitled to an Award under the terms of the Plan and this Subplan. In particular, no participant shall have any right to vote or to receive dividends on any shares of Common Stock under this Subplan until certificates for such shares have been issued as described above.

Section 11. Application of Plan. The provisions of the Plan shall apply to this Subplan, and the provisions of this Subplan shall be interpreted in a manner consistent with the terms of the Plan.

Section 12. Adjustment of Actual Grant Amount . The Committee may, in its sole discretion, adjust the Actual Grant Amount to reflect overall Company performance and business and financial conditions, except in the case of a Performance Award that is a Qualified Performance-Based Award where such actions would cause the Performance Award that is a Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption. In the case of a Performance Award that is a Qualified Performance-Based Award, the Committee shall retain the discretion to adjust such Award downward, either on a formula or discretionary basis or any combination, as the Committee determined.

Section 13. Reimbursement of Certain Compensation Following Restatement. The Performance Awards are subject to the provisions of the Plan and any applicable law or Company policy requiring reimbursement to the Company of certain incentive-based compensation following an accounting restatement due to material non-compliance by the Company with any financial reporting requirement or due to other events or conditions.

Section 14. Amendments. The Committee may, from time to time, amend this Subplan in any manner.

Section 15. Code Section 409A. All Performance Awards granted under this Subplan shall be subject to the provisions of the Plan concerning Code Section 409A, which provisions shall be incorporated into this Subplan by reference.

EXHIBIT A

Eastman Chemical Company
Performance Share Award Grant Table
2015-2017 Cycle

ON FILE IN GLOBAL COMPENSATION

EXHIBIT B

Award Multiplier Table 2015 -2017 Award Multiplier Table

	Return on Invested Capital Performance					
Eastman TSR Relative to Comparison Companies	<7.50 to 9.00	9.01 to 10.50	10.51 to 12.00	12.01 to 13.50	13.51 to 15.00	>15.00
5th quintile	0.0	0.0	0.0	0.2	0.3	0.4
4th quintile	0.0	0.2	0.4	0.6	0.8	0.9
3rd quintile <50%	0.4	0.6	0.8	1.0	1.2	1.4
3rd quintile ≥50%	0.6	0.8	1.0	1.3	1.5	1.7
2nd quintile	1.0	1.2	1.4	1.7	1.9	2.1
1st quintile	1.0	1.8	2.0	2.3	2.4	2.5

EASTMAN CHEMICAL COMPANY
2012 OMNIBUS STOCK COMPENSATION PLAN

AWARD NOTICE FOR GRANT OF PERFORMANCE SHARES

Grantee:

Performance Period: January 1, 2015 through December 31, 2017

Number of Performance Shares Granted ("Target Award"):

Grant Date:

This Award Notice for the Grant of Performance Shares (this "Award Notice") by and between Eastman Chemical Company ("Company") and the Grantee named above (referred to below as "you") evidences the grant by the Company of performance shares ("Performance Shares" or the "Award") to you on the date stated above (the "Grant Date") and your acceptance of such Performance Shares in accordance with the provisions of the Eastman Chemical Company 2012 Omnibus Stock Compensation Plan, as amended from time to time (the "Plan") and the provisions of the 2015-2017 Performance Share Award Subplan (the "Subplan"). For purposes of this Award Notice, any references to the Plan shall include the Subplan

The Performance Shares are subject to the terms and conditions set forth in the Plan (which is incorporated herein by reference), any rules and regulations adopted by the Board of Directors of the Company or the Compensation and Management Development Committee (collectively, the "Committee"), and this Award Notice. In the event of any conflict between the provisions of the Plan and the provisions of this Award Notice, the terms, conditions, and provisions of the Plan shall control, and this Award Notice shall be deemed to be modified accordingly. Capitalized terms used in this Award Notice that are not defined herein shall have the meanings set forth in the Plan. For purposes of this Award Notice, "Employer" means the Subsidiary that employs you, if you are not employed directly by the Company.

1. Performance Share Grant. You have been granted the number of Performance Shares specified above as the Target Award. Each Performance Share represents the right to receive a number of shares of the Company's $.01 par value Common Stock ("Common Stock") upon the attainment of specified performance conditions by the Company; provided, however, that any fractional share of Common Stock shall be paid in cash in an amount representing the market value of such fractional share at the time of payment.

2. Performance Conditions. The Performance Shares are subject to the attainment of the following performance conditions as defined in Section 6 of the Subplan and as specifically set forth in Exhibit A of this Award Notice (the "Performance Conditions"):

(a) a comparison of the total stockholder return (referred to in the Subplan as "TSR," and reflecting both the change in stock price and the amount of dividends declared) of the Company during the Performance Period, to the TSRs of the companies in the Comparison Group (the group of companies within the Standard and Poor's "Materials Sector" that are classified as Chemical companies. The S&P "Materials Sector" index, identified as Global Industry Classification Standard 15, is an index of industrial companies selected from the S&P "Super Composite 1500" index.

(b) the arithmetic average for each of the Performance Years during the Performance Period of the Company's average Return on Invested Capital..

3. Vesting of Performance Shares. Subject to Sections 7 and 8 of this Award Notice, if you remain continuously employed with your Employer, the Company or one of its Subsidiaries during the Performance Period, you shall become vested in a number of Performance Shares equal to the Target Award multiplied by the multiplier as set forth in Exhibit A of this Award Notice corresponding to the Company's achievement of the Performance Conditions ("Actual Earned Shares").

4. Settlement of Performance Shares. The Company shall direct its transfer agent to issue you one share of Common Stock for each Actual Earned Share in your name or a nominee in book entry, or to issue one or more physical stock certificates representing such shares of Common Stock in your name, as soon as administratively practicable after the end of the Performance Period and final approval by the Committee; provided, however, that if payment of the Actual Earned Shares could, in the reasonable estimation of the Committee, result in your receiving compensation, in the year of scheduled payment, in excess of the amount deductible by the Company under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), or other applicable local laws, rules or regulations, then such portion (or all, as applicable) of the Actual Earned Shares as could, in the reasonable estimation of the Committee, create such excess compensation, may, at the sole discretion of the Committee, be converted into the right to receive a cash payment, which shall be paid at such time as permitted under Code Section 409A, applicable Treasury Regulations and guidance thereunder, as specified in Section 9 of the Subplan, or as permitted under applicable local laws, rules or regulations.

If any portion of the Actual Earned Shares is converted into a right to receive a cash payment as described above, an amount representing the Fair Market Value of the deferred portion of the Actual Earned Shares will be credited to the Eastman Stock Account of the Eastman Chemical Company Executive Deferred Compensation Plan (the “EDCP”) and hypothetically invested in units of Common Stock. Thereafter, such amount will be treated in the same manner as other investments in the EDCP, all as specified in Section 9 of the Subplan.

5. Nontransferability of Performance Shares; Limitation on Issuance of Shares. The Performance Shares are not transferable except by will or by the laws of descent and distribution, and may not be sold, assigned, pledged or encumbered in any way, whether by operation of law or otherwise. Following the Performance Period, certificates for the shares of Common Stock underlying the Actual Earned Shares may be issued during your lifetime only to you, except in the case of a permanent disability involving mental incapacity. Upon your death, any unissued shares of Common Stock underlying the Actual Earned Shares may be transferred to your legal representative as determined under applicable law, subject to the terms set forth in Section 7 of this Performance Shares Notice.

6. Limitation of Rights. You will not have any rights as a stockholder with respect to the shares of Common Stock underlying the Performance Shares until you become the holder of record of such shares following the determination of the Actual Earned Shares upon conclusion of the Performance Period and the issuance of such shares to you pursuant to Section 4 of this Award Notice.

7. Termination.

(a) Upon a termination of your employment with your Employer, the Company or any of its Subsidiaries by reason of a Qualifying Termination (as defined below) or by reason of death or disability, or for another approved reason as determined by the Committee (in the case of the executive officers) or the executive officer responsible for Human Resources (in the case of non-executive employees), you (or your legal representative, as applicable) will receive after the end of the Performance Period, subject to the terms and conditions of the Plan, a pro-rata portion of the Actual Earned Shares that you otherwise would have received had you remained in continuous employment with your Employer, the Company or one of its Subsidiaries during the entire Performance Period based upon the number of full months in which you were employed during the Performance Period. For purposes of this Award Notice, a “Qualifying Termination” means a termination of employment by reason of resignation or without cause when:

- your combined age and years of service with your Employer, the Company and its Subsidiaries equals or exceeds 75;
- you have attained age 55 and 10 years of service with your Employer, the Company and its Subsidiaries;
- you had attained age 50 or greater as of your hire date and you have attained 5 years of service with your Employer, the Company and its Subsidiaries; or
- you have attained age 65.

(b) Upon termination of employment with your Employer, the Company or any of its Subsidiaries for reasons other than those described in this Section, including for Cause, your Performance Shares shall be immediately canceled and forfeited. In such event, neither you nor any of your successors, heirs, assigns or personal representatives will thereafter have any further rights or interest in such shares or otherwise in this Award. For purposes of the foregoing, “Cause” shall have the same meaning as set forth in the Plan.

8. Income Tax and Social Insurance Contributions Withholding.

(a) Regardless of any action the Company or your Employer take with respect to any or all income tax (including U.S. federal, state and local taxes and/or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and your Employer: (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Shares, including the grant of the Performance Shares, upon settlement or payment of the Performance Shares pursuant to the attainment of the performance objectives, and the subsequent sale of any shares of Common Stock acquired pursuant to the Performance Shares and the receipt of any dividends; and (ii) do not commit to structure the terms of the grant or any aspect of the Performance Shares to reduce or eliminate your liability for Tax-Related Items.

(b) Prior to the delivery of shares of Common Stock upon settlement or payment of the Performance Shares pursuant to the attainment of the performance objectives, if your country of residence (and/or your country of employment, if different) requires withholding of Tax-Related Items, the Company shall withhold a sufficient number of whole shares of Common Stock otherwise issuable under the Performance Shares that have an aggregate Fair Market Value sufficient to pay the minimum Tax-Related Items required to be withheld. In cases where the Fair Market Value of the number of whole shares of Common Stock withheld is greater than the minimum Tax-Related Items required to be withheld, the Company shall make a cash payment to you equal to the difference as soon as administratively practicable. The cash equivalent of the shares of Common Stock withheld will be used to settle the obligation to withhold the Tax-Related Items. Alternatively, the Company or your Employer may withhold the minimum Tax-Related Items required to be withheld with respect to the shares of Common Stock in cash from your regular salary/wages, or from any other amounts payable to you. In the event the withholding requirements are not satisfied through the withholding of shares of Common Stock by the Company or through the withholding of cash from your regular salary/wages or any other amounts payable to you, no shares of Common Stock will be issued to you (or your estate) upon settlement or payment of the Performance Shares unless and until satisfactory arrangements (as determined by the Board of Directors) have been made by you with respect to the payment of any Tax-Related Items which the Company and your Employer determines, in its sole discretion, must be withheld or collected with respect to such Award. If you are subject to Tax-Related Items in more than one jurisdiction, you acknowledge that the Company or your Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction. By accepting the Performance Shares, you expressly consent to the withholding of shares of Common Stock and/or the withholding of cash from your regular salary/wages or other amounts payable to you as provided for hereunder. All other Tax-Related Items related to the Performance Shares and any shares of Common Stock delivered in payment thereof are your sole responsibility.

9. Noncompetition; Confidentiality. You will not, without the written consent of the Company, either during your employment by your Employer, the Company or any of its Subsidiaries or thereafter, disclose to anyone or make use of any confidential information which you have acquired during your employment relating to any of the business of your Employer, the Company or any of its Subsidiaries, except as such disclosure or use may be required in connection with your work as an employee of the Company. During your employment by your Employer, the Company, or any of its Subsidiaries, and for a period of two years after the termination of such employment, you will not, either as principal, agent, consultant, employee or otherwise, engage in any work or other activity in competition with the Company in the field or fields in which you have worked for your Employer, the Company or any of its Subsidiaries. The provisions in this Section 9 apply separately in the United States and in other countries but only to the extent that its application shall be reasonably necessary for the protection of your Employer, the Company or any of its Subsidiaries. You will forfeit all rights under this Award Notice to or related to the Performance Shares if, in the determination of the Committee (in the case of executive officers) or of the executive officer responsible for Human Resources (in the case of non-executive employees), you have violated any of the provisions of this Section 9, and in that event any payment or other action with respect to the Performance Shares shall be made or taken, if at all, in the sole discretion of the Committee or the executive officer responsible for Human Resources.

10. Restrictions on Issuance of Shares. If at any time the Company determines that listing, registration or qualification of the shares covered by an Award upon any securities exchange or under any state or federal law, or the approval of any governmental agency, is necessary or advisable prior to the delivery of any certificate for shares of Common Stock subject to the Performance Shares, no such certificate may be delivered unless and until such listing, registration, qualification or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

11. Change in Ownership; Change in Control. Article 14 of the Plan contains certain special provisions that will apply in the event of a Change in Ownership or Change in Control, respectively.

12. Adjustment of Terms. The adjustment provisions of Article 15 of the Plan will control in the event of a nonreciprocal transaction between the Company and its stockholders that causes the per-share value of the Common Stock to change (including, without limitation, any stock dividend, stock split, spin-off, rights offering, or large nonrecurring cash dividend) or upon the occurrence of in anticipation of any other corporate event or transaction involving the Company (including, without limitation, any merger, combination, or exchange of shares).

13. Adjustment of Actual Grant Amount. The Committee may, in its sole discretion, adjust the Actual Earned Shares to reflect overall Company performance and business and financial conditions, except in the case of an Award that is a Qualified Performance-Based Award where such actions would cause the Performance Shares that is a Qualified Performance-Based Award to cease to qualify for the performance-based exemption under Code Section 162(m). In the case of an Award that is a Qualified Performance-Based Award, the Committee shall retain the discretion to adjust such Award downward, either on a formula or discretionary basis or any combination, as the Committee determined.

14. Reimbursement of Certain Compensation Following Restatement. The Award is subject to the provisions of the Plan and any applicable law or Company policy requiring reimbursement to the Company of certain incentive-based compensation following an accounting restatement due to material non-compliance by the Company with any financial reporting requirement or due to other events or conditions.

15. Repatriation and Legal/Tax Compliance Requirements. If you are a resident of or employed in a country other than the United States, you agree, as a condition of the grant of the Performance Shares, to repatriate all payments attributable to the shares of Common Stock and/or cash acquired under the Plan (including, but not limited to, dividends and any proceeds derived from the sale of the shares of Common Stock acquired pursuant to this Award) in accordance with local foreign exchange rules and regulations in your country of residence (and country of employment, if different). In addition, you agree to take any and all actions, and consent to any and all actions taken by your Employer, the Company or any of its Subsidiaries as may be required to allow your Employer, the Company or any of its Subsidiaries to comply with local laws, rules and regulations in your country of residence (and country of employment, if different). Finally, you agree to take any and all actions that may be required to comply with your personal legal and tax obligations under local laws, rules and regulations in your country of residence (and country of employment, if different).

If you are resident or employed in a country that is a member of the European Union, the grant of the Performance Shares and this Award Notice is intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the "Age Discrimination Rules"). To the extent that a court or tribunal of competent jurisdiction determines that any provision of this Award Notice is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, the Company, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to make it valid and enforceable to the full extent permitted under local law.

16. No Guarantee of Employment. The grant of the Performance Shares shall not create any employment relationship with the Company or any of its Subsidiaries. Further, the grant of the Performance Shares shall not confer upon you any right of continued employment with your Employer nor limit in any way the right of your Employer to terminate your employment at any time. You shall have no rights as a stockholder of the Company with respect to any shares of Common Stock issuable upon the settlement or payment of the Performance Shares pursuant to the attainment of the performance objectives until the date of issuance of such shares of Common Stock.

17. Discretionary Nature of Grant; No Vested Rights. You acknowledge and agree that the Plan is discretionary in nature and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The grant of the Performance Shares under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the form and timing of any grant, the number of shares of Common Stock subject to the grant, and the vesting provisions. Any amendment, modification or termination of the Plan or the Subplan shall not constitute a change or impairment of the terms and conditions of your employment with your Employer.

18. Termination Indemnities. Your participation in the Plan and Subplan is voluntary. The value of the Performance Shares and any other awards granted under the Plan and Subplan is an extraordinary item of compensation outside the scope of your employment (and your employment contract, if any). Any grant under the Plan or Subplan, including the grant of the Performance Shares, is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments.

19. Consent to Collection, Processing and Transfer of Personal Data. Pursuant to applicable personal data protection laws, the Company hereby notifies you of the following in relation to your personal data and the collection, processing and transfer of such data in relation to the Company's grant of the Performance Shares and your participation in the Plan. The collection, processing and transfer of your personal data is necessary for the Company's administration of the Plan and your participation in the Plan. Your denial and/or objection to the collection, processing and transfer of personal data may affect your participation in the Plan. As such, you voluntarily acknowledge and consent (where required under applicable law) to the collection, use, processing and transfer of personal data as described herein.

The Company and its Affiliates and Subsidiaries hold certain personal information about you, including your name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company or any Affiliate or Subsidiary, details of all equity awards or any other entitlement to shares of Common Stock awarded, canceled, purchased, vested, unvested or outstanding in your favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by you or collected, where lawful, from third parties, and the Company and its Affiliates and Subsidiaries will process the Data for the exclusive purpose of implementing, administering and managing your participation in the Plan. The Data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations in your country of residence. Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. Data will be accessible within the organization of the Company and its Affiliates and Subsidiaries only by those persons requiring access for purposes of the implementation, administration and operation of the Plan and for your participation in the Plan.

The Company and its Affiliates and Subsidiaries will transfer Data as necessary for the purpose of implementation, administration and management of your participation in the Plan, and the Company and its Affiliates and Subsidiaries may further transfer Data to any third parties assisting the Company and its Affiliates and Subsidiaries in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. You hereby authorize (where required under applicable law) them to receive, possess, use, retain and transfer the Data, in electronic or other form, for purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of Shares on your behalf to a broker or other third party with whom you may elect to deposit any Shares acquired pursuant to the Plan.

You may, at any time, exercise your rights provided under applicable personal data protection laws, which may include the right to (a) obtain confirmation as to the existence of the Data, (b) verify the content, origin and accuracy of the Data, (c) request the integration, update, amendment, deletion, or blockage (for breach of applicable laws) of the Data, and (d) to oppose, for legal reasons, the collection, processing or transfer of the Data which is not necessary or required for the implementation, administration and/or operation of the Plan and your participation in the Plan. You may seek to exercise these rights by contacting your local HR manager or the Company's Human Resources Department.

20. Private Placement. If you are a resident and/or employed outside of the United States, the grant of the Performance Shares is not intended to be a public offering of securities in your country of residence (and country of employment, if different). The Company has not submitted any registration statement, prospectus or other filing with the local securities authorities (unless otherwise required under local law), and the Performance Shares is not subject to the supervision of the local securities authorities.

21. Electronic Delivery. The Company, in its sole discretion, may decide to deliver any documents related to the Performance Shares to you under the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

22. English Language. If you are resident outside of the United States, you acknowledge and agree that it is your express intent that the Performance Shares Notice, the Plan, the Subplan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Performance Shares, be drawn up in English. If you have received the Performance Shares Notice, the Plan or any other documents related to the Performance Shares translated into a language other than English, and if the meaning of the translated version is different from the English version, the meaning of the English version shall control.

23. Addendum. Notwithstanding any provisions of the Performance Shares Notice to the contrary, the Performance Shares shall be subject to any special terms and conditions for your country of residence (and country of employment, if different), as set forth in the applicable Addendum to the Performance Shares Notice. Further, if you transfer residence and/or employment to another country reflected in an Addendum to the Performance Shares Notice, the special terms and conditions for such country will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local law, rules and regulations or to facilitate the operation and administration of the Performance Shares, the Plan, and the Subplan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer). Any applicable Addendum shall constitute part of the Performance Shares Notice.

24. Additional Requirements. The Company reserves the right to impose other requirements on the Performance Shares, any payment made pursuant to the Performance Shares, and your participation in the Plan, to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local law, rules and regulations or to facilitate the operation and administration of the Performance Shares and the Plan. Such requirements may include (but are not limited to) requiring you to sign any agreements or undertakings that may be necessary to accomplish the foregoing.

25. Governing Law. This Award Notice shall be construed, administered and governed in all respects under and by the applicable laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation to the substantive law of another jurisdiction.

26. Venue. In accepting the Performance Shares grant, you are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of the State of Tennessee of the United States of America to resolve any and all issues that may arise out of or relate to the Performance Shares and the Performance Shares Notice.

27. Binding Effect. This Award Notice shall be binding upon the Company and you and its and your respective heirs, executors, administrators and successors.

28. Conflict. To the extent the terms of the Performance Shares Notice are inconsistent with the Plan, the provisions of the Plan shall control and supersede any inconsistent provision of the Performance Shares Notice.

29. Non-Negotiable Terms. The terms of the Performance Shares Notice are not negotiable, but you may refuse to accept the Performance Shares by notifying the Company’s executive officer responsible for Human Resources in writing; any such refusal of acceptance will immediately cancel and forfeit the award.

****

[Remainder of page intentionally left blank]

EASTMAN CHEMICAL COMPANY
2012 OMNIBUS STOCK COMPENSATION PLAN

ADDENDUM TO AWARD NOTICE FOR GRANT OF PERFORMANCE SHARES

In addition to the terms of Eastman Chemical Company 2012 Omnibus Stock Compensation Plan (the “Plan”), the 2015-2017 Performance Share Award Subplan (the "Subplan"), and the Award Notice for the Grant of Performance Shares (the “Award Notice”), the Performance Shares are subject to the following additional terms and conditions as set forth in this addendum to the extent you reside and/or are employed in one of the countries addressed herein (the “Addendum”). All defined terms as contained in this Addendum shall have the same meaning as set forth in the Plan, the Subplan, and the Award Notice. To the extent you transfer residence and/or employment to another country, the special terms and conditions for such country as reflected in this Addendum (if any) will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and regulations, or to facilitate the operation and administration of the Performance Shares, the Plan, and the Subplan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer).

China

The following provisions shall apply to the extent you are a local national of the People's Republic of China ("PRC"):

1. Termination of Employment. Except as otherwise required by the State Administration of Foreign Exchange (the "SAFE") and notwithstanding any provision in the Award Notice or the Plan to the contrary, upon a termination of your employment with your Employer, the Company or any of its Subsidiaries by reason of a Qualifying Termination (as defined below) or by reason of death or disability, or for another approved reason as determined by the Committee (in the case of the executive officers) or the executive officer responsible for Human Resources (in the case of non-executive employees) prior to completion of the Performance Period:

a. If such termination occurs before the mid-point of the Performance Period, you (or your legal representative, as applicable) shall become vested in a number of Performance Shares equal to the Target Award; or

b. If such termination occurs on or after the mid-point of the Performance Period, you (or your legal representative, as applicable) shall become vested in a number of Performance Shares equal to the Target Award multiplied by the multiplier as set forth in Exhibit A of this Award Notice corresponding to the Company's achievement of the most recent Performance Conditions available on the date of termination, as determined by the Committee in its sole discretion.

2. Immediate Sale of Shares. Notwithstanding anything in the Award Notice to the contrary, all shares of Common Stock issued in connection with your Performance Shares shall be immediately sold unless and until the Committee determines otherwise. For purposes of the foregoing, the Company shall establish procedures for effectuating the immediate sale of the shares of Common Stock issued in connection with your Performance Shares (including procedures whereby the Company may issue sales instructions on your behalf), and you hereby agree to comply with such procedures and to take any and all actions as the Company may determine, in its sole discretion, are necessary or advisable for purposes of complying with PRC laws, rules and regulations.

3. Exchange Control Restrictions. You acknowledge and agree that you will be required immediately to repatriate to the PRC the proceeds from the sale of any shares of Common Stock acquired under the Plan, as well as any other cash amounts attributable to the shares of Common Stock acquired under the Plan (collectively, "Cash Proceeds"). Further, you acknowledge and agree that the repatriation of the Cash Proceeds must be effected through a special bank account established by your Employer, the Company or one of its Subsidiaries, and you hereby consent and agree that the Cash Proceeds may be transferred to such account by the Company on your behalf prior to being delivered to you. The Cash Proceeds may be paid to you in U.S. dollars or local currency at the Company's discretion. If the Cash Proceeds are paid to you in U.S. dollars, you understand that a U.S. dollar bank account must be established and maintained in China so that the proceeds may be deposited into such account. If the Cash Proceeds are paid to you in local currency, you acknowledge and agree that the Company is under no obligation to secure any particular exchange conversion rate and that the Company may face delays in converting the Cash Proceeds to local currency due to exchange control restrictions. You agree to bear any currency fluctuation risk between the time the shares of Common Stock are sold and the Cash Proceeds are converted into local currency and distributed to you. You further agree to comply with any other requirements that may be imposed by your Employer, the Company and its Subsidiaries in the future in order to facilitate compliance with exchange control requirements in the PRC.

4. Administration. Your Employer, the Company and its Subsidiaries shall not be liable for any costs, fees, lost interest or dividends or other losses you may incur or suffer resulting from the enforcement of the terms of this Addendum or otherwise from the operation and enforcement of the terms of the Plan, the Award Notice and the Option in accordance with PRC law including, without limitation, any applicable SAFE rules, regulations and requirements.

BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE AWARD NOTICE, THE PLAN AND THIS ADDENDUM.

____
Signature

____
Printed Name

____
Date

IMPORTANT NOTE: THIS ADDENDUM MUST BE SIGNED AND RETURNED TO

[INSERT CONTACT INFORMATION]

NO LATER THAN 90 DAYS FOLLOWING THE GRANT DATE.

France

1. English Language. You acknowledge and agree that it is your express intent that this Award Notice, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Performance Shares, be drawn up in English. If you have received this Award Notice, the Plan, the Subplan or any other documents related to the Performance Shares translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

Langue anglaise. Vous reconnaissez et consentez que c'est votre intention expresse que cet Accord, le Projet et tous les autres documents, les notifications et l'événement légal est entré dans, compte tenu de ou institué conformément à la Récompense de Award, est formulé dans l'anglais. Si vous avez reçu cet Accord, le Projet ou aucuns autres documents liés a relaté à la Récompense de Award traduite dans une langue autrement que l'anglais, et si le sens de la version traduite est différent de la version anglaise, la version anglaise contrôlera.

BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE AWARD NOTICE, THE PLAN AND THIS ADDENDUM.

____

Signature

____

Printed Name

____

Date

IMPORTANT NOTE: THIS ADDENDUM MUST BE SIGNED AND RETURNED TO

Karen van den Heuvel
Eastman Chemical B.V.
HR-Compensation and Benefits
Capelle, Netherlands

NO LATER THAN 120 DAYS FOLLOWING THE GRANT DATE.

Malaysia

1. Consent to Collection, Processing and Transfer of Personal Data. This provision replaces Section 19 of the Award Notice in its entirety:

You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data, as described in this Addendum and any other Performance Share grant materials by and among, as applicable, the Company and Affiliates and Subsidiaries for the exclusive purpose of implementing, administering and managing your participation in the Plan.	*Anda dengan ini secara eksplisit dan tanpa sebarang keraguan mengizinkan pengumpulan, penggunaan dan pemindahan, dalam bentuk elektronik atau lain-lain, data peribadi anda seperti yang diterangkan dalam Lampiran ini dan apa-apa bahan Performance Share yang lain oleh dan di antara, seperti yang berkenaan, Syarikat dan Ahli Gabungan dan Anuk untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan penyertaan anda di dalam Pelan.*
You understand that the Company and Affiliates and Subsidiaries may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Performance Shares or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data"). The Data is supplied by the Company and also by you through information collected in connection with the Award Notice and the Plan.	*Anda memahami bahawa Syarikat Ahli Gabungan dan Anuk mungkin memegang maklumat peribadi tertentu tentang anda, termasuk, tetapi tidak terhad kepada, nama anda, alamat rumah dan nombor telefon, tarikh lahir, nombor insurans sosial atau nombor pengenalan lain, gaji, kewarganegaraan, jawatan, apa-apa Syer atau jawatan pengarah yang dipegang dalam Syarikat, butir-butir semua Performance Shares, atau apa-apa hak lain atas Syer yang dianugerahkan, dibatalkan, dilaksanakan, terletak hak, tidak diletak hak ataupun yang belum dijelaskan bagi faedahanda, untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan Pelan tersebut ("Data"). Data tersebut dibekalkan oleh Syarikat dan juga oleh anda berkenaan dengan Notis Award dan Pelan.*
You understand that Data will be transferred to the current stock plan service providers or a stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of the Data may be located in the	*Anda memahami bahawa Data ini akan dipindahkan kepada pembekal perkhidmatan pelan saham semasa atau pembekal perkhidmatan pelan saham yang mungkin dipilih oleh Syarikat pada masa*

United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that if you reside outside the United States, you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative at ***[INSERT PHONE NUMBER AND EMAIL]****. You authorize the Company, the stock plan service provider and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any transfer of such Data as may be required to a broker, escrow agent or other third party with whom the Shares received upon vesting of the Performance Shares may be deposited. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that if you reside outside the United States, you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consent herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service and career with the Company will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company may not be able to grant you Performance Shares or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.*	*depan, yang membantu Syarikat dengan pelaksanaan, pentadbiran dan pengurusan Pelan. Anda memahami bahawa penerima-penerima Data mungkin berada di Amerika Syarikat atau mana-mana tempat lain, dan bahawa negara penerima-penerima (contohnya, Amerika Syarikat) mungkin mempunyai undang-undang privasi data dan perlindungan yang berbeza daripada negara anda. Anda memahami bahawa sekiranya anda menetap di luar Amerika Syarikat, anda boleh meminta satu senarai yang mengandungi nama-nama dan alamat-alamat penerima-penerima Data yang berpotensi dengan menghubungi wakil sumber manusia tempatan anda di* ***[INSERT PHONE NUMBER AND EMAIL]****. Anda memberi kuasa kepada Syarikat, pembekal perkhidmatan pelan saham dan mana-mana penerima-penerima kemungkinan lain yang mungkin akan membantu Syarikat (pada masa sekarang atau pada masa depan) dengan melaksanakan, mentadbir dan menguruskan Pelan untuk menerima, memiliki, menggunakan, mengekalkan dan memindahkan Data, dalam bentuk elektronik atau lain-lain, bagi tujuan melaksanakan, mentadbir dan menguruskan penyertaan anda di dalam Pelan, termasuk segala pemindahan Data tersebut sebagaimana yang dikehendaki kepada broker, egen eskrow atau pihak ketiga dengan siapa Saham diterima semasa peletakhakan Performance Shares mungkin didepositkan. Anda memahami bahawa Data hanya akan disimpan selagi ia adalah diperlukan untuk melaksanakan, mentadbir, dan menguruskan penyertaan anda dalam Pelan. Anda memahami bahawa sekiranya anda menetap di luar Amerika Syarikat, anda boleh, pada bila-bila masa, melihat Data, meminta maklumat tambahan mengenai penyimpanan dan pemprosesan Data, meminta bahawa pindaan-pindaan dilaksanakan ke atas Data atau menolak atau menarik balik persetujuan dalam ini, dalam mana-mana kes, tanpa kos, dengan menghubungi secara bertulis wakil sumber manusia tempatan. Selanjutnya, anda memahami bahawa anda memberikan persetujuan di sini secara sukarela semata-mata. Sekiranya anda tidak bersetuju, atau sekiranya anda kemudian membatalkan persetujuan anda, status pekerjaan atau perkhidmatan dan kerjaya anda dengan Syarikat tidak akan terjejas; satu-satunya akibat buruk sekiranya anda tidak bersetuju atau menarik balik persetujuan andaadalah bahawa Syarikat tidak akan dapat memberikan Perforamance Shares kepada anda atau anugerah ekuiti lain atau mentadbir atau mengekalkan anugerah-anugerah tersebut. Oleh itu, anda memahami bahawa keengganan atau penarikan balik persetujuan anda boleh menjejaskan keupayaan anda untuk mengambil bahagian dalam Pelan. Untuk maklumat lebih lanjut mengenai akibat-akibat keengganan*
	anda untuk memberikan keizinan atau penarikan balik keizinan, anda memahami bahawa anda boleh menghubungi wakil sumber manusia tempatan.

BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE AWARD NOTICE, THE PLAN AND THIS ADDENDUM.

____
Signature

____
Printed Name

____
Date

IMPORTANT NOTE: THIS ADDENDUM MUST BE SIGNED AND RETURNED TO

[INSERT CONTACT INFORMATION]

NO LATER THAN 120 DAYS FOLLOWING THE GRANT DATE.

Mexico

1 . Commercial Relationship. You expressly recognize that your participation in the Plan, and the Company's grant of the Performance Shares does not constitute an employment relationship between you and the Company. The Company has granted you the Performance Shares as a consequence of the commercial relationship between the Company and the Company's Subsidiary in Mexico that employs you (i.e., your Employer), and the Company's Subsidiary in Mexico is your sole employer. Based on the foregoing, (a) you expressly recognize the Plan, the Subplan, and the benefits you may derive from your participation in the Plan does not establish any rights between you and your Employer, (b) the Plan, the Subplan, and the benefits you may derive from your participation in the Plan are not part of the employment conditions and/or benefits provided by your Employer, and (c) any modifications or amendments of the Plan or the Subplan by the Company, or a termination of the Plan or Subplan by the Company, shall not constitute a change or impairment of the terms and conditions of your employment with your Employer.

BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE AWARD NOTICE, THE PLAN AND THIS ADDENDUM.

____
Signature

____
Printed Name

____
Date

IMPORTANT NOTE: THIS ADDENDUM MUST BE SIGNED AND RETURNED TO

Jorge Luis Hernandez Sosa
HR Manager, Latin American
Santo Toribio - MEXICO

NO LATER THAN 120 DAYS FOLLOWING THE GRANT DATE.

Netherlands

1 . Waiver of Termination Rights. In consideration of the grant of your Award, you agree that you waive any and all rights to compensation or damages as a result of any termination of employment for any reason whatsoever, insofar as those rights result or may result from (a) the loss or diminution in value of such rights or entitlements under the Plan or the Subplan, or (b) you cease to have rights under, or ceasing to be entitled to any awards under the Plan or Subplan as a result of such termination.

Singapore

1. Qualifying Person Exemption. The following provision shall supplement Section 20 of the Performance Shares Notice:

The grant of the Performance Shares under the Plan is being made pursuant to the "Qualifying Person" exemption" under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Plan or the Subplan have not been lodged or registered as a prospectus with the Monetary Authority of Singapore. You should note that, as a result, the Performance Shares is subject to section 257 of the SFA and accordingly, you will be unable to make (a) any subsequent sale of any shares of Common Stock pursuant to the Performance Shares in Singapore or (b) any offer of sale of any shares of Common Stock acquired as a result of the Performance Shares in Singapore, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2006 Ed.).

South Korea

1 . Consent to Collection, Processing and Transfer of Personal Data. The following provision shall replace Section 19 of the Award Notice in its entirety:

Pursuant to applicable personal data protection laws, the Company hereby notifies you of the following in relation to your personal data and the collection, processing and transfer of such data in relation to the Company's grant of Performance Shares and your participation in the Plan. The collection, processing and transfer of your personal data is necessary for the Company's administration of the Plan and your participation in the Plan, and although you have the right to deny or object to the collection, processing and transfer of personal data, your denial and/or objection to the collection, processing and transfer of personal data may affect your participation in the Plan. As such, you voluntarily acknowledge and consent (where required under applicable law) to the collection, use, processing and transfer of personal data as described herein.

The Company holds certain personal information about you, including your name, home address and telephone number, date of birth, social security number (resident registration number) or other employee identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Performance Shares, options or any other entitlement to Shares awarded, canceled, purchased, vested, unvested or outstanding in your favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by you or collected, where lawful, from third parties, and the Company will process the Data for the exclusive purpose of implementing, administering and managing your participation in the Plan. The Data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations in your country of residence (and country of employment, if different). Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. Data will be accessible within the Company's organization only by those persons requiring access for purposes of the implementation, administration and operation of the Plan and for your participation in the Plan.

The Company will transfer Data internally as necessary for the purpose of implementation, administration and management of your participation in the Plan, and the Company may further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. The third party recipients of Data may be any Affiliates or Subsidiaries of the Company and / or Fidelity Stock Plan Services, LLC ("Fidelity") or any successor or any other third party that the Company or Fidelity (or its successor) may engage to assist with the implementation, administration and management of the Plan from time to time. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. You hereby authorize (where required under applicable law) them to receive, possess, use, retain and transfer the Data, in electronic or other form, for purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of Shares on your behalf to a broker or other third party with whom you may elect to deposit any Shares acquired pursuant to the Plan.

The Company and any third party recipient of the Data will use, process and store the Data only to the extent they are necessary for the purposes described above.

You may, at any time, exercise your rights provided under applicable personal data protection laws, which may include the right to (a) obtain confirmation as to the existence of the Data, (b) verify the content, origin and accuracy of the Data, (c) request the integration, update, amendment, deletion, or blockage (for breach of applicable laws) of the Data, (d) to oppose, for legal reasons, the collection, processing or transfer of the Data which is not necessary or required for the implementation, administration and/or operation of the Plan and your participation in the Plan, and (e) withdraw your consent to the collection, processing or transfer of Data as provided hereunder (in which case, your RSUs will be null and void). You may seek to exercise these rights by contacting your local Human Resources manager or the Company's Human Resources Department.

BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE AWARD NOTICE, THE PLAN AND THIS ADDENDUM.

____
Signature

____
Printed Name

____
Date

IMPORTANT NOTE: THIS ADDENDUM MUST BE SIGNED AND RETURNED TO

[INSERT CONTACT INFORMATION]

NO LATER THAN 120 DAYS FOLLOWING THE GRANT DATE.

United Kingdom

1. Income Tax and Social Insurance Contribution Withholding. The following provision shall replace Section 8 of the Performance Shares Notice:

Regardless of any action the Company or your Employer takes with respect to any or all income tax, primary and secondary Class 1 National Insurance contributions, payroll tax or other tax-related withholding attributable to or payable in connection with or pursuant to the grant of the Performance Shares, the settlement or payment of the Performance Shares pursuant to the attainment of the performance objectives, and the acquisition of shares of Common Stock, or the release or assignment of the Performance Shares for consideration, or the receipt of any other benefit in connection with the Performance Shares ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility. Furthermore, the Company and/or your Employer: (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Shares, including the grant of the Performance Shares, settlement or payment of the Performance Shares pursuant to the attainment of the performance objectives, the acquisition of shares of Common Stock, the subsequent sale of any shares of Common Stock acquired and the receipt of any dividends; and (b) do not commit to structure the terms of the grant or any aspect of the Performance Shares to reduce or eliminate your liability for Tax-Related Items.

As a condition of the issuance of shares of Common Stock upon settlement or payment of the Performance Shares pursuant to the attainment of the performance objectives, the Company and your Employer shall be entitled to withhold and you agree to pay, or make adequate arrangements satisfactory to the Company and/or your Employer to satisfy, all obligations of the Company and/or your Employer to account to HM Revenue & Customs ("HMRC") for any Tax-Related Items. In this regard, you authorize the Company and your Employer to withhold all applicable Tax-Related Items legally payable by you from any salary/wages or other cash compensation paid to you by the Company and your Employer. Alternatively, or in addition, if permissible under local law, you authorize the Company and/or your Employer, each at its discretion and pursuant to such procedures as it may specify from time to time, to satisfy the obligations with regard to all Tax-Related Items legally payable by you by one of the following: (a) by electing to have the Company withhold from the shares of Common Stock to be issued upon settlement or payment of the Performance Shares pursuant to the attainment of the performance objectives a sufficient number of whole shares of Common Stock having an aggregate Fair Market Value that would satisfy the withholding amount, provided, however, that in no event may the whole number of shares of Common Stock withheld in the case of this clause (a) exceed the applicable statutory minimum withholding rates (if any); or (b) in cash. If the obligation for Tax-Related Items is satisfied by withholding a number of shares of Common Stock as described herein, you are deemed to have been issued the full number of shares of Common Stock subject to the Performance Shares, notwithstanding that a number of the shares of Common Stock are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Performance Shares.

If, by the date on which the event giving rise to the Tax-Related Items occurs (the "Chargeable Event"), you have relocated to a jurisdiction other than the jurisdiction in which you were living in at the Date of Grant, you acknowledge that the Company and your Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

You also agree that the Company and your Employer may determine the amount of Tax-Related Items to be withheld and accounted for by reference to the maximum applicable rates, without prejudice to any right which you may have to recover any overpayment from the relevant tax authorities.

You shall pay to the Company or your Employer any amount of Tax-Related Items that the Company or your Employer may be required to account to HMRC with respect to the Chargeable Event that cannot be satisfied by the means previously described. If payment or withholding is not made within 90 days of the Chargeable Event or if the Chargeable Event occurs on or after April 6, 2014, within 90 days after the end of the U.K. tax year in which the Chargeable Event occurs or such other period specified in section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the "Due Date"), you agree that the amount of any uncollected Tax-Related Items shall (assuming you are not a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), constitute a loan owed by you to your Employer, effective on the Due Date. You agree that the loan will bear interest at the then-current HMRC Official Rate and it will be immediately due and repayable, and the Company and/or your Employer may recover it at any time thereafter by any of the means referred to above. If any of the foregoing methods of collection are not allowed under applicable laws or if you fail to comply with your obligations in connection with the Tax-Related Items as described in this section, the Company may refuse to deliver the shares of Common Stock acquired under the Plan.

3 . Exclusion of Claim. You acknowledge and agree that you will have no entitlement to compensation or damages in consequence of the termination of your employment with your Employer for any reason whatsoever and whether or not in breach of contract, insofar as such entitlement arises or may arise from your ceasing to have rights under or to be entitled to settlement or payment of the Performance Shares as a result of such termination, or from the loss or diminution in value of the Performance Shares. Upon the grant of the Performance Shares, you shall be deemed irrevocably to have waived any such entitlement.

EXHIBIT A

Award Multiplier Table 2015 -2017 Award Multiplier Table

	Return on Invested Capital Performance					
Eastman TSR Relative to Comparison Companies	<7.50 to 9.00	9.01 to 10.50	10.51 to 12.00	12.01 to 13.50	13.51 to 15.00	>15.00
5th quintile	0.0	0.0	0.0	0.2	0.3	0.4
4th quintile	0.0	0.2	0.4	0.6	0.8	0.9
3rd quintile <50%	0.4	0.6	0.8	1.0	1.2	1.4
3rd quintile ≥50%	0.6	0.8	1.0	1.3	1.5	1.7
2nd quintile	1.0	1.2	1.4	1.7	1.9	2.1
1st quintile	1.0	1.8	2.0	2.3	2.4	2.5

Exhibit 10.33

AWARD NOTICE
NOTICE OF RESTRICTED STOCK UNITS
AWARDED PURSUANT TO THE
EASTMAN CHEMICAL COMPANY
2012 OMNIBUS STOCK COMPENSATION PLAN

Recipient: Curtis E. Espeland

Number of Restricted Stock Units: 18,000

Date of Award: January 1, 2015

1. Award of Restricted Stock Unit. This Award Notice serves to notify you that the Compensation and Management Development Committee (the "Committee") of the Board of Directors of Eastman Chemical Company ("Company") has awarded to you, under the Company's 2012 Omnibus Stock Compensation Plan (the "Plan"), the number of restricted stock units ("Restricted Stock Units") set forth above, representing the right to receive the same number of unrestricted shares of its $.01 par value Common Stock ("Common Stock"), subject to the terms of the Plan and this Award Notice. The Plan is incorporated herein by reference and made a part of this Award Notice. Terms not otherwise defined herein have the respective meanings set forth in the Plan.

2. Lapse of Restrictions and Vesting of Restricted Stock Units. Subject to forfeiture of all of the Restricted Stock Units prior to vesting as described in Sections 7 and 11 of this Award Notice, the Restricted Stock Units will vest upon the earlier of (i) the third anniversary of the award date, if and only if you are still an employee of the Company or its Subsidiaries at that time; or (ii) termination of your employment with the Company or its Subsidiaries by reason of death or disability, with the number of Restricted Stock Units set forth above prorated based on the number of full calendar months in which you were employed during the vesting period, (the date described in clauses (i) and (ii), subject to satisfaction of the additional conditions described in the next succeeding sentence of this Section 2, is referred to herein as the "Vesting Date"). Vesting under either 2(i) or 2(ii) above is further conditioned upon and subject to your satisfactory performance, as evaluated by and determined in the sole discretion of the Committee, in leadership of the financial integration of mergers and acquisitions and of development and execution of business plans that result in improved financial performance for the Company considering external market conditions.

3. Issuance of Shares Upon Vesting of Restricted Stock Units. Subject to the other terms of this Award Notice, the Company will either issue a certificate or certificates for shares of Common Stock underlying the vested Restricted Stock Units as promptly as practicable following the Vesting Date or place the shares in your account maintained by the Company's stock plan administrator. The Company may withhold or require you to remit a cash amount sufficient to satisfy all taxes required by law to be withheld. Further, either the Company or you may elect to satisfy the withholding requirement by having the Company withhold shares of common stock having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction.

4. Nontransferability of Restricted Stock Units; Limitation on Issuance of Shares. The Restricted Stock Units may not, except as otherwise provided in the Plan, be sold, assigned, transferred, pledged, or encumbered in any way, whether by operation of law or otherwise. After the Vesting Date, certificates for the shares underlying the Restricted Stock Units may be issued during your lifetime only to you, except in the case of a permanent disability involving mental incapacity.

5. Limitation of Rights. Prior to issuance of shares to you following the Vesting Date, you will have no voting or other rights as a stockholder of the Company with respect to the Restricted Stock Units or the underlying common shares. Neither the Plan nor this Award or Award Notice gives you any right to remain employed by the Company and its Subsidiaries.

6. Dividend Equivalents. The Restricted Stock Units entitle you to dividend equivalents equal to any cash dividends paid during the period that the Restricted Stock Units are outstanding and unvested with respect to a corresponding number of shares of Common Stock underlying Restricted Stock Units which vest on the Vesting Date. All such accrued dividend equivalents will become payable in cash by the Company into your account maintained by the Company's stock plan administrator upon the Vesting Date of the Restricted Stock Units. Until payment, the dividend equivalents shall be subject to the same terms and conditions as the Restricted Stock Units to which such dividend equivalents relate and shall be forfeited and not paid in the event that such Restricted Stock Units are not vested and are forfeited.

7. Termination. Upon termination of your employment with the Company or its Subsidiaries prior to the Vesting Date, other than for one of the reasons described in Section 2 of this Award Notice, all of the Restricted Stock Units will be canceled and forfeited by you to the Company without the payment of any consideration by the Company. In such event, neither you nor any of your successors, heirs, assigns, or personal representatives will thereafter have any further rights or interest in such shares or otherwise in this Award.

8. Change in Ownership; Change in Control. Article 14 of the Plan contains certain special provisions that will apply to this Award in the event of a Change in Ownership or Change in Control.

9. Adjustment of Shares. If the number of outstanding shares of Common Stock changes through the declaration of stock dividends or stock splits prior to the Vesting Date, the units of Common Stock subject to this Award automatically will be adjusted, according to the provisions of Article 15 of the Plan. In the event of any other change in the capital structure or the Common Stock of the Company or other corporate events or transactions involving the Company, the Committee is authorized to make appropriate adjustments to this Award.

10. Restrictions on Issuance of Shares. If at any time the Company determines that listing, registration, or qualification of the Restricted Stock Units or of the shares of Common Stock subject to this Award upon any securities exchange or under any state or federal law, or the approval of any governmental agency, is necessary or advisable as a condition to the award or issuance of certificate(s) for the shares of Common Stock subject to this Award, such award or issuance may not be made in whole or in part unless and until such listing, registration, qualification, or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

11. Noncompetition; Confidentiality. You will not, without the written consent of the Company, either during your employment by the Company or thereafter, disclose to anyone or make use of any confidential information which you have acquired during your employment relating to any of the business of the Company, except as such disclosure or use may be required in connection with your work as an employee of the Company. During your employment by the Company, and for a period of two years after the termination of such employment, you will not, either as principal, agent, consultant, employee, or otherwise, engage in any work or other activity in competition with the Company in the field or fields in which you have worked for the Company. The agreement in this Section 11 applies separately in the United States and in other countries but only to the extent that its application shall be reasonably necessary for the protection of the Company. You will forfeit all rights under this Award Notice to or related to the Restricted Stock Units if, in the determination of the Committee, you have violated any of the provisions of this Section 11, and in that event any payment or other action with respect to the Restricted Stock Units shall be made or taken, if at all, in the sole discretion of the Committee.

12. Reimbursement of Certain Compensation Following Restatement. The Award is subject to any applicable law or Company policy requiring reimbursement to the Company of certain incentive-based compensation following an accounting restatement due to material non-compliance by the Company with any financial reporting requirement or due to other events or conditions.

13. Plan Controls. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Award Notice, the provisions of the Plan will be controlling and determinative.

Exhibit 10.34

AWARD NOTICE
NOTICE OF RESTRICTED STOCK UNITS
AWARDED PURSUANT TO THE
EASTMAN CHEMICAL COMPANY
2012 OMNIBUS STOCK COMPENSATION PLAN

Recipient:

Number of Restricted Stock Units: 14,600

Date of Award: February 18, 2015

1 . Award of Restricted Stock Unit. This Award Notice serves to notify you that the Compensation and Management Development Committee (the Committee) of the Board of Directors of Eastman Chemical Company ("Company") has awarded to you, under the Company's 2012 Omnibus Stock Compensation Plan (the "Plan"), the number of restricted stock units ("Restricted Stock Units") set forth above, representing the right to receive the same number of unrestricted shares of its $.01 par value Common Stock ("Common Stock"), subject to the terms of the Plan and this Award Notice. The Plan is incorporated herein by reference and made a part of this Award Notice. Terms not otherwise defined herein have the respective meanings set forth in the Plan.

2. Lapse of Restrictions and Vesting of Restricted Stock Units. Subject to earlier forfeiture of all of the Restricted Stock Units as described in Sections 7 and 11 of this Award Notice, the Restricted Stock Units will vest upon the earlier of: (i) third anniversary of the award date, if and only if you are still an employee of the Company or a Subsidiary on date, or (ii) termination of your employment with the Company or its Subsidiaries by reason of death or disability; or (iii) a date not later than the third anniversary of the award date, as determined by the Committee upon termination of your employment for a reason which is approved by the Committee other than those described in clause (ii) of this Section (the date and time described in clause (i), (ii), or (iii), as applicable, is referred to herein as the "Vesting Date").

3 . Issuance of Shares Upon Vesting of Restricted Stock Units. Subject to the other terms of this Award Notice, the Company will either issue a certificate or certificates for shares of Common Stock underlying the vested Restricted Stock Units as promptly as practicable following the Vesting Date or place the shares in your account maintained by the Company's stock plan administrator. The Company may withhold or require you to remit a cash amount sufficient to satisfy all taxes required by law to be withheld. Further, either the Company or you may elect to satisfy the withholding requirement by having the Company withhold shares of common stock having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction.

4 . Nontransferability of Restricted Stock Units; Limitation on Issuance of Shares. The Restricted Stock Units may not, except as otherwise provided in the Plan, be sold, assigned, transferred, pledged, or encumbered in any way, whether by operation of law or otherwise. After the Vesting Date, certificates for the shares underlying the Restricted Stock Units may be issued during your lifetime only to you, except in the case of a permanent disability involving mental incapacity.

5 . Limitation of Rights. Prior to issuance of shares to you following the Vesting Date, you will have no voting or other rights as a stockholder of the Company with respect to the Restricted Stock Units or the underlying common shares. Neither the Plan nor this Award or Award Notice gives you any right to remain employed by the Company and its Subsidiaries.

6 . Dividend Equivalents. The Restricted Stock Units entitle you to dividend equivalents equal to any cash dividends paid during the period that the Restricted Stock Units are outstanding and unvested with respect to a corresponding number of shares of Common Stock underlying Restricted Stock Units which vest on the Vesting Date. All such accrued dividend equivalents will become payable in cash by the Company into your account maintained by the Company's stock plan administrator upon the Vesting Date of the Restricted Stock Units. Until payment, the dividend equivalents shall be subject to the same terms and conditions as the Restricted Stock Units to which such dividend equivalents relate and shall be forfeited and not paid in the event that such Restricted Stock Units are not vested and are forfeited.

7 . Termination. Upon termination of your employment with the Company or its Subsidiaries prior to the Vesting Date, other than for one of the reasons described in Section 2 of this Award Notice, all of the Restricted Stock Units will be canceled and forfeited by you to the Company without the payment of any consideration by the Company. In such event, neither you nor any of your successors, heirs, assigns, or personal representatives will thereafter have any further rights or interest in such shares or otherwise in this Award.

8. Change in Ownership; Change in Control. Article 14 of the Plan contains certain special provisions that will apply to this Award in the event of a Change in Ownership or Change in Control.

9. Adjustment of Shares. If the number of outstanding shares of Common Stock changes through the declaration of stock dividends or stock splits prior to the Vesting Date, the units of Common Stock subject to this Award automatically will be adjusted, according to the provisions of Article 15 of the Plan. In the event of any other change in the capital structure or the Common Stock of the Company or other corporate events or transactions involving the Company, the Committee is authorized to make appropriate adjustments to this Award.

10. Restrictions on Issuance of Shares. If at any time the Company determines that listing, registration, or qualification of the Restricted Stock Units or of the shares of Common Stock subject to this Award upon any securities exchange or under any state or federal law, or the approval of any governmental agency, is necessary or advisable as a condition to the award or issuance of certificate(s) for the shares of Common Stock subject to this Award, such award or issuance may not be made in whole or in part unless and until such listing, registration, qualification, or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

11. Noncompetition; Confidentiality. You will not, without the written consent of the Company, either during your employment by the Company or thereafter, disclose to anyone or make use of any confidential information which you have acquired during your employment relating to any of the business of the Company, except as such disclosure or use may be required in connection with your work as an employee of the Company. During your employment by the Company, and for a period of two years after the termination of such employment, you will not, either as principal, agent, consultant, employee, or otherwise, engage in any work or other activity in competition with the Company in the field or fields in which you have worked for the Company. The agreement in this Section 11 applies separately in the United States and in other countries but only to the extent that its application shall be reasonably necessary for the protection of the Company. You will forfeit all rights under this Award Notice to or related to the Restricted Stock Units if, in the determination of the Committee, you have violated any of the provisions of this Section 11, and in that event any payment or other action with respect to the Restricted Stock Units shall be made or taken, if at all, in the sole discretion of the Committee.

12. Reimbursement of Certain Compensation Following Restatement. The Award is subject to any applicable law or Company policy requiring reimbursement to the Company of certain incentive-based compensation following an accounting restatement due to material non-compliance by the Company with any financial reporting requirement or due to other events or conditions.

13. Plan Controls. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Award Notice, the provisions of the Plan will be controlling and determinative.

EXHIBIT 12.01

EASTMAN CHEMICAL COMPANY AND SUBSIDIARIES

Computation of Ratios of Earnings to Fixed Charges

(Dollars in millions)	2014	2013	2012	2011	2010
Earnings from continuing operations before income taxes	$ 984	$ 1,672	$ 642	$ 880	$ 618
Add:					
Interest expense	203	186	148	83	105
Appropriate portion of rental expense (2)	27	24	26	17	14
Amortization of capitalized interest	6	6	7	7	7
Earnings as adjusted	$ 1,220	$ 1,888	$ 823	$ 987	$ 744
Fixed charges:					
Interest expense	$ 203	$ 186	$ 148	$ 83	$ 105
Appropriate portion of rental expense (2)	27	24	26	17	14
Capitalized interest	7	4	4	9	3
Total fixed charges	$ 237	$ 214	$ 178	$ 109	$ 122
Ratio of earnings to fixed charges	5.1x	8.8x	4.6x	9.1x	6.1x

(1) The Company completed the sale of the polyethylene terephthalate ("PET") business, related assets at the Columbia, South Carolina, site, and technology of its Performance Polymers segment on January 31, 2011. The PET business, assets, and technology sold were substantially all of the Performance Polymers segment. Performance Polymers segment operating results are presented as discontinued operations for all periods presented.

(2) For all periods presented, the interest component of rental expense is estimated to equal one-third of such expense.

Exhibit 21.01

EASTMAN CHEMICAL COMPANY
SUBSIDIARIES

NAME OF SUBSIDIARY	JURISDICTION OF INCOROPRATION OR ORGANIZATION
2010 Acquisition Corporation	Delaware
Commonwealth Laminating & Coating (Hong Kong) Limited	Hong Kong
Commonwealth Laminating & Coating (Shanghai) Co., Ltd.	China
Commonwealth Laminating & Coating, Inc.	Virginia
CP Films Vertriebs GmbH	Germany
CPFilms Inc.	Delaware
Crown Operations International, LLC	Delaware
Dynaloy, LLC	Delaware
Eastman Administración, S.A. de C.V.	Mexico
Eastman Benelux B.V.B.A.	Belgium
Eastman Chemical (China) Co., Ltd.	China
Eastman Chemical (Gibraltar) Limited	Gibraltar
Eastman Chemical (Malaysia) Sdn. Bhd.	Malaysia
Eastman Chemical (Tongxiang) Limited	China
Eastman Chemical Adhesives (Hong Kong) Limited	Hong Kong
Eastman Chemical Advanced Materials B.V.	Netherlands
Eastman Chemical AP Holdings B.V.	Netherlands
Eastman Chemical Argentina S.R.L.	Argentina
Eastman Chemical B.V.	Netherlands
Eastman Chemical Belgium B.V.	Netherlands
Eastman Chemical Canada, Inc.	Canada
Eastman Chemical Company Foundation, Inc.	Tennessee
Eastman Chemical Company Investments, Inc.	Delaware
Eastman Chemical do Brasil Ltda.	Brazil
Eastman Chemical Financial Corporation	Delaware
Eastman Chemical Germany B.V.	Netherlands
Eastman Chemical Germany GmbH	Germany
Eastman Chemical Germany Holdings GmbH & Co. KG	Germany
Eastman Chemical Germany Management GmbH & Co. KG	Germany
Eastman Chemical Germany Verwaltungs-GmbH	Germany
Eastman Chemical Global Holdings S.a.r.l.	Luxembourg
Eastman Chemical GmbH	Germany
Eastman Chemical HK Limited	Hong Kong
Eastman Chemical Holdings do Brasil Ltda.	Brazil
Eastman Chemical Holdings Spain S.L.	Spain
Eastman Chemical Holdings, S.A. de C.V.	Mexico
Eastman Chemical Hong Kong B.V.	Netherlands
Eastman Chemical India Private Limited	India
Eastman Chemical Intermediates (Hong Kong) Limited	Hong Kong
Eastman Chemical International GmbH	Switzerland
Eastman Chemical International Holdings B.V.	Netherlands
Eastman Chemical International LP, LLC	Delaware
Eastman Chemical Japan Limited	Japan
Eastman Chemical Korea B.V.	Netherlands

EASTMAN CHEMICAL COMPANY
SUBSIDIARIES

NAME OF SUBSIDIARY	JURISDICTION OF INCOROPRATION OR ORGANIZATION
Eastman Chemical Korea, Ltd.	Korea
Eastman Chemical Latin America, Inc.	Delaware
Eastman Chemical Ltd.	New York
Eastman Chemical Luxembourg Holdings 1 S.a.r.l.	Luxembourg
Eastman Chemical Luxembourg Holdings 2 S.a.r.l.	Luxembourg
Eastman Chemical Luxembourg Holdings 3 S.a.r.l.	Luxembourg
Eastman Chemical Luxembourg Holdings 6 S.C.S.	Luxembourg
Eastman Chemical Luxembourg Holdings 7 S.a.r.l.	Luxembourg
Eastman Chemical Luxembourg Holdings LLC	Delaware
Eastman Chemical Luxembourg S.a.r.l.	Luxembourg
Eastman Chemical Malaysia B.V.	Netherlands
Eastman Chemical Middelburg B.V.	Netherlands
Eastman Chemical Netherlands C.V.	Netherlands
Eastman Chemical Netherlands Ltd.	United Kingdom
Eastman Chemical Pioneer, LLC	Delaware
Eastman Chemical Regional UK	United Kingdom
Eastman Chemical Resins, Inc.	Delaware
Eastman Chemical Singapore Pte. Ltd.	Singapore
Eastman Chemical Texas City, Inc.	Delaware
Eastman Chemical Uruapan, S.A. de C.V.	Mexico
Eastman Chemical Workington Limited	United Kingdom
Eastman Chemical, Asia Pacific Pte. Ltd.	Singapore
Eastman Chemical, Europe, Middle East and Africa LLC	Delaware
Eastman Cogen Management L.L.C.	Texas
Eastman Cogeneration L.P.	Texas
Eastman Company UK Limited	United Kingdom
Eastman Espana, S.L.	Spain
Eastman Fibers Singapore Pte. Ltd.	Singapore
Eastman Gasification Services Company	Delaware
Eastman Global Holdings, Inc.	Delaware
Eastman International Holdings, Inc.	Delaware
Eastman International Management Company	Tennessee
Eastman Kimya Sanayi ve Ticaret Limited Sirketi	Turkey
Eastman Malta Limited	Malta
Eastman Renewable Materials, LLC	Delaware
Eastman Servicios Corporativos, S.A. de C.V.	Mexico
Eastman Spain L.L.C.	Delaware
Eastman Specialties Corporation	Delaware
Eastman Specialties Holdings Corporation	Delaware
Eastman Specialties OU	Estonia
Ecuataminco S.A.	Ecuador
EGSC Beaumont, Inc.	Delaware
Enterprise Genetics, Inc.	Nevada
Flexsys America Co.	Delaware
Flexsys America L.P.	Delaware
Flexsys Asia Pacific Sdn. Bhd.	Malaysia

EASTMAN CHEMICAL COMPANY
SUBSIDIARIES

NAME OF SUBSIDIARY	JURISDICTION OF INCOROPRATION OR ORGANIZATION
Flexsys Chemicals (M) Sdn Bhd	Malaysia
Flexsys Distribution GmbH	Germany
Flexsys Holding B.V.	Netherlands
Flexsys K.K.	Japan
Flexsys Rubber Chemicals Ltd.	United Kingdom
Flexsys Verkauf GmbH	Germany
Flexsys Verwaltungs- und Beteiligungsgesellschaft mbH	Germany
GMX Trading Pte. Ltd.	Singapore
HDK Industries, Inc.	Tennessee
Holston Defense Corporation	Virginia
Huper Optik (GP), L.L.C.	Texas
Huper Optik International Pte. Ltd.	Singapore
Huper Optik U.S.A., L.P.	Texas
Industriepark Nienburg GmbH	Germany
Jaeger Chimie France S.a.r.l.	France
Kingsport Hotel, L.L.C.	Tennessee
Knowlton International, Ltd.	New York
Knowlton Mill Street Storage, LLC	New York
Knowlton Properties, LLC	New York
Knowlton Property Holdings, LLC	New York
Eastman Technologies LLC	Delaware
Knowlton Technologies, LLC	New York
Knowlton West Main Storage, LLC	New York
Monchem International LLC	Delaware
Mustang Pipeline Company	Texas
Novomatrix International Trading (Shanghai) Co. Ltd.	China
Novomatrix Investments, Inc.	Delaware
Novomatrix Pte. Ltd.	Singapore
Novomatrix, Inc.	Delaware
Primester (50%)	New York
S E Investment LLC	Delaware
Scandiflex do Brasil Ltda.	Brazil
SFC LLC	Delaware
Solchem Netherlands C.V.	Netherlands
Solutia (Thailand) Ltd.	Thailand
Solutia Argentina S.R.L.	Argentina
Solutia Australia Pty. Ltd.	Australia
Solutia Brasil Ltda.	Brazil
Solutia Canada Inc.	Canada
Solutia Chemicals France S.a.r.l.	France
Solutia Chemicals Iberica, S.L.	Spain
Solutia Chemicals India Private Limited	India
Solutia Deutschland GmbH	Germany
Solutia Europe SPRL/BVBA	Belgium
Solutia Greater China, LLC	Delaware
Solutia Hong Kong Limited	Hong Kong

EASTMAN CHEMICAL COMPANY
SUBSIDIARIES

NAME OF SUBSIDIARY	JURISDICTION OF INCOROPRATION OR ORGANIZATION
Solutia Inc.	Delaware
Solutia International Trading (Shanghai) Co., Ltd.	China
Solutia Italia S.r.l.	Italy
Solutia Japan Limited	Japan
Solutia Performance Products (Suzhou) Co., Ltd.	China
Solutia Performance Products Solutions Ltd.	Mauritius
Solutia Services International SCA/Comm. VA	Belgium
Solutia Singapore Pte. Ltd.	Singapore
Solutia Solar GmbH	Germany
Solutia Tlaxcala, S.A. de C.V.	Mexico
Solutia UK Holdings Ltd.	United Kingdom
Solutia UK Investments Ltd.	United Kingdom
Solutia UK Ltd.	United Kingdom
Solutia Venezuela, S.R.L.	Venezuela
Southwall Europe GmbH	Germany
Southwall IG Holdings, Inc.	Delaware
Southwall Insulating Glass, LLC	Delaware
Southwall Technologies Inc.	Delaware
Sterling Chemicals JV Holdings, Inc.	Delaware
Sterling Methanol Company	Delaware
Sterling Oxo Alcohols Company	Delaware
SunTek Australia Pty. Ltd.	Australia
SunTek Europe GmbH	Germany
SunTek Films Canada, Inc.	Canada
Suntek Holding Company	Delaware
SunTek UK Limited	United Kingdom
Sun-X (South East Asia) Pte. Ltd.	Singapore
Sun-X Film Pte. Ltd.	Singapore
Tam Limitada (Costa Rica)	Costa Rica
Taminco Argentina SA	Argentina
Taminco BVBA	Belgium
Taminco Choline Chloride (Shanghai) Co., Ltd.	China
Taminco Corporation	Delaware
Taminco de Honduras, S.A. de C.V.	Honduras
Taminco de Urugua	Uruguay
Taminco do Brasil Comercio e Industria de Aminas Ltda.	Brazil
Taminco do Brazil Produtos Quimicos Ltda.	Brazil
Taminco Finland Oy	Finland
Taminco Germany GmbH	Germany
Taminco Global Chemical Corporation	Delaware
Taminco Group BVBA	Belgium
Taminco Group Holdings S.a.r.l.	Luxembourg
Taminco Guatemala	Guatemala
Taminco Holding Finland Oy	Finland
Taminco Holding Netherlands B.V.	Netherlands
Taminco Intermediate Corporation	Delaware

EASTMAN CHEMICAL COMPANY
SUBSIDIARIES

NAME OF SUBSIDIARY	JURISDICTION OF INCOROPRATION OR ORGANIZATION
Taminco Italia S.r.l.	Italy
Taminco Mexico S. de R.L. de C.V.	Mexico
Taminco Netherlands B.V.	Netherlands
Taminco UK Limited	United Kingdom
Taminco Uruguay S.A.	Uruguay
Taminco US Inc.	Delaware
Taminco Venezuela C.A.	Venezuela
Texas City Gasification, LLC	Delaware
TX Energy, LLC	Delaware
V-Kool International Pte. Ltd.	Singapore
Yixing Taminco Feed Additives Co., Ltd.	China

Exhibit 23.01

EASTMAN CHEMICAL COMPANY AND SUBSIDIARIES

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 33-73808, No. 33-73810, No. 33-73812, No. 33-77844, No. 333-124558, No. 333-170248 and 333-195103) and in the Registration Statement on Form S-3 (No. 333-181549) of Eastman Chemical Company of our report dated February 27, 2015 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP
Philadelphia, PA
February 27, 2015

Exhibit 31.01

EASTMAN CHEMICAL COMPANY AND SUBSIDIARIES

Rule 13a - 14(a)/15d - 14(a) Certifications

I, Mark J. Costa, certify that:

1. I have reviewed this annual report on Form 10-K of Eastman Chemical Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2015

/s/ Mark J. Costa
Mark J. Costa
Chief Executive Officer

EASTMAN

Exhibit 31.02

EASTMAN CHEMICAL COMPANY AND SUBSIDIARIES

Rule 13a - 14(a)/15d - 14(a) Certifications

I, Curtis E. Espeland, certify that:

1. I have reviewed this annual report on Form 10-K of Eastman Chemical Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2015

/s/ Curtis E. Espeland
Curtis E. Espeland
Executive Vice President and Chief Financial Officer

Exhibit 32.01

EASTMAN CHEMICAL COMPANY AND SUBSIDIARIES

Section 1350 Certifications

In connection with the Annual Report of Eastman Chemical Company (the "Company") on Form 10-K for the period ending December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

A signed original of this written statement required by Section 906 has been provided to Eastman Chemical Company and will be retained by Eastman Chemical Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: February 27, 2015

/s/ Mark J. Costa
Mark J. Costa
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.02

EASTMAN CHEMICAL COMPANY AND SUBSIDIARIES

Section 1350 Certifications

In connection with the Annual Report of Eastman Chemical Company (the "Company") on Form 10-K for the period ending December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

A signed original of this written statement required by Section 906 has been provided to Eastman Chemical Company and will be retained by Eastman Chemical Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: February 27, 2015

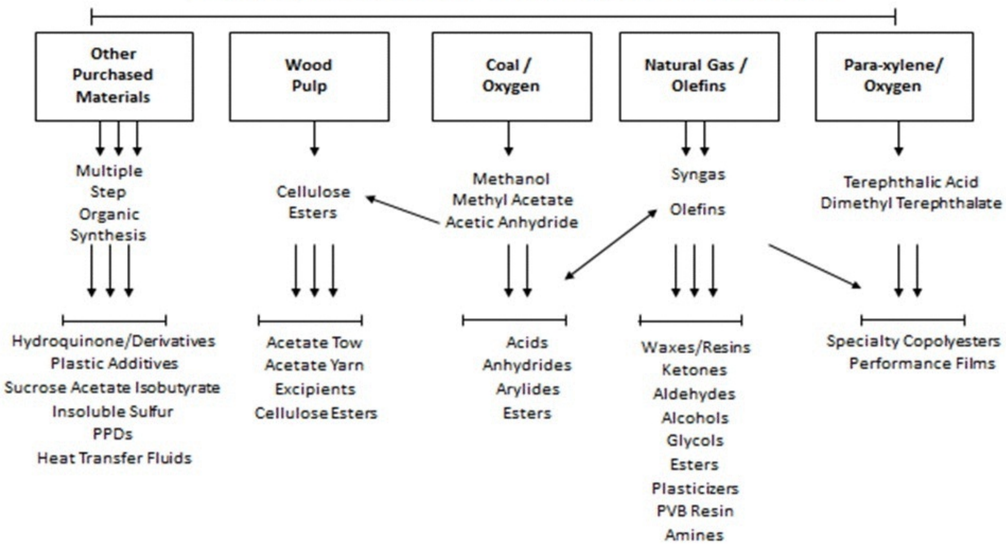
/s/ Curtis E. Espeland
Curtis E. Espeland
Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.

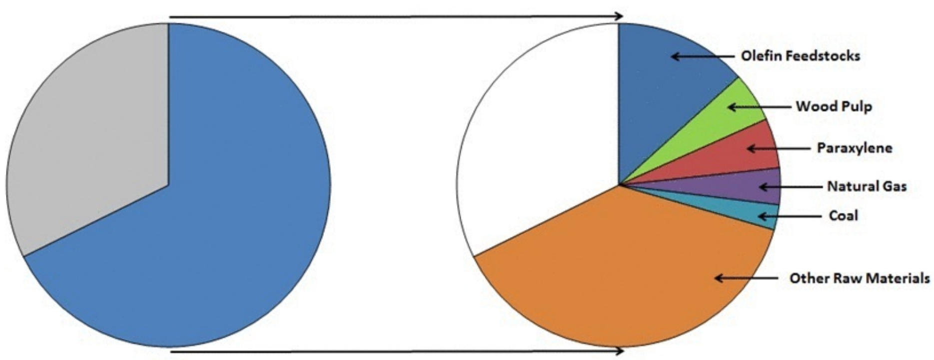
Exhibit 99.01

Product and Raw Material Information

Eastman Chemical Company Material Flows



2014 Total Cost of Operations*



*Total Cost of Operations includes cost of goods sold, selling, general and administrative expenses, and research and development expenses excluding non-core or non-recurring items as defined in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP and Pro Forma Combined Financial Measures" in Part II, Item 7 of the 2014 Annual Report on Form 10-K.