

FINANCIAL INFORMATION**October 24, 2019**

For Eastman Chemical Company Third Quarter 2019 Financial Results Release

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Table 1 – Statements of Earnings

	Third Quarter		First Nine Months	
	2019	2018	2019	2018
(Dollars in millions, except per share amounts; unaudited)				
Sales	\$ 2,325	\$ 2,547	\$ 7,068	\$ 7,775
Cost of sales ⁽¹⁾	1,751	1,819	5,331	5,762
Gross profit	574	728	1,737	2,013
Selling, general and administrative expenses	163	175	515	554
Research and development expenses	59	60	174	176
Asset impairments and restructuring charges, net	2	—	52	6
Other components of post-employment (benefit) cost, net	(20)	(30)	(62)	(90)
Other (income) charges, net ⁽²⁾	3	6	—	(50)
Earnings before interest and taxes	367	517	1,058	1,417
Net interest expense	54	58	165	178
Earnings before income taxes	313	459	893	1,239
Provision for income taxes ⁽³⁾	46	46	158	190
Net earnings	267	413	735	1,049
Less: Net earnings attributable to noncontrolling interest	1	1	2	3
Net earnings attributable to Eastman	<u>\$ 266</u>	<u>\$ 412</u>	<u>\$ 733</u>	<u>\$ 1,046</u>
Basic earnings per share attributable to Eastman	<u>\$ 1.95</u>	<u>\$ 2.93</u>	<u>\$ 5.31</u>	<u>\$ 7.38</u>
Diluted earnings per share attributable to Eastman	<u>\$ 1.93</u>	<u>\$ 2.89</u>	<u>\$ 5.27</u>	<u>\$ 7.28</u>
Shares (in millions) outstanding at end of period	136.0	140.0	136.0	140.0
Shares (in millions) used for earnings per share calculation				
Basic	136.8	140.6	137.9	141.7
Diluted	137.8	142.4	138.9	143.7

⁽¹⁾ Includes \$67 million and \$21 million income from business interruption insurance in excess of costs in third quarter and first nine months 2018, respectively, from the previously reported disruption, repairs, and reconstruction of the coal gasification facility and restart of operations resulting from the October 4, 2017 incident (the "coal gasification incident").

⁽²⁾ First nine months 2018 includes a gain of \$65 million from insurance for property damage from the coal gasification incident.

⁽³⁾ Third quarter and first nine months 2018 includes earnings of \$14 million and \$4 million, respectively, increasing the provisional net earnings increase previously recognized as a result of tax law changes.

Table 2A – Segment Sales Information

	Third Quarter		First Nine Months	
	2019	2018	2019	2018
(Dollars in millions, unaudited)				
Sales by Segment				
Additives & Functional Products	\$ 832	\$ 915	\$ 2,510	\$ 2,796
Advanced Materials	697	709	2,050	2,131
Chemical Intermediates	579	703	1,865	2,142
Fibers	217	220	643	706
Total Eastman Chemical Company	\$ 2,325	\$ 2,547	\$ 7,068	\$ 7,775

Table 2B – Sales Revenue Change

Third Quarter 2019 Compared to Third Quarter 2018

	Change in Sales Revenue Due To			
	Revenue % Change	Volume / Product Mix Effect	Price Effect	Exchange Rate Effect
(Unaudited)				
Additives & Functional Products	(9) %	(3) %	(5) %	(1) %
Advanced Materials	(2) %	— %	(1) %	(1) %
Chemical Intermediates	(18)%	(7) %	(11) %	— %
Fibers	(1) %	(1) %	— %	— %
Total Eastman Chemical Company	(9) %	(3) %	(5) %	(1) %

First Nine Months 2019 Compared to First Nine Months 2018

	Change in Sales Revenue Due To			
	Revenue % Change	Volume / Product Mix Effect	Price Effect	Exchange Rate Effect
(Unaudited)				
Additives & Functional Products	(10) %	(5) %	(3) %	(2) %
Advanced Materials	(4) %	(2) %	— %	(2) %
Chemical Intermediates	(13)%	(5) %	(7) %	(1) %
Fibers	(9) %	(8) %	(1) %	— %
Total Eastman Chemical Company	(9) %	(5) %	(3) %	(1) %

Table 2C – Sales by Customer Location

	Third Quarter		First Nine Months	
	2019	2018	2019	2018
(Dollars in millions, unaudited)				
Sales by Customer Location				
United States and Canada	\$ 966	\$ 1,083	\$ 2,961	\$ 3,291
Asia Pacific	602	665	1,729	1,946
Europe, Middle East, and Africa	611	649	1,949	2,101
Latin America	146	150	429	437
Total Eastman Chemical Company	\$ 2,325	\$ 2,547	\$ 7,068	\$ 7,775

**Table 3A - Segment, Other, and Company
Non-GAAP Earnings (Loss) Before Interest and Taxes Reconciliations ⁽¹⁾**

(Dollars in millions, unaudited)	Third Quarter		First Nine Months	
	2019	2018	2019	2018
Additives & Functional Products				
Earnings before interest and taxes	\$ 144	\$ 186	\$ 437	\$ 554
Asset impairments and restructuring charges, net ⁽²⁾	—	—	4	—
Coal gasification incident insurance in excess of costs	—	(4)	—	(6)
Excluding non-core and unusual items	144	182	441	548
Advanced Materials				
Earnings before interest and taxes	159	153	406	438
Coal gasification incident insurance in excess of costs	—	(6)	—	(9)
Excluding unusual item	159	147	406	429
Chemical Intermediates				
Earnings before interest and taxes	34	109	170	264
Coal gasification incident insurance in excess of costs	—	(30)	—	(32)
Excluding unusual item	34	79	170	232
Fibers				
Earnings before interest and taxes	51	84	144	210
Coal gasification incident insurance in excess of costs	—	(27)	—	(39)
Excluding unusual item	51	57	144	171
Other				
Loss before interest and taxes	(21)	(15)	(99)	(49)
Asset impairments and restructuring charges, net ⁽³⁾	2	—	48	6
Costs resulting from tax law changes and outside-U.S. entity reorganizations	—	1	—	20
Excluding non-core and unusual items	(19)	(14)	(51)	(23)
Total Eastman Chemical Company				
Earnings before interest and taxes	367	517	1,058	1,417
Asset impairments and restructuring charges, net	2	—	52	6
Coal gasification incident insurance in excess of costs	—	(67)	—	(86)
Costs resulting from tax law changes and outside-U.S. entity reorganizations	—	1	—	20
Total earnings before interest and taxes excluding non-core and unusual items	\$ 369	\$ 451	\$ 1,110	\$ 1,357
Company Non-GAAP Earnings Before Interest and Taxes Reconciliations by Line Items				
Earnings before interest and taxes	\$ 367	\$ 517	\$ 1,058	\$ 1,417
Costs of sales	—	(67)	—	(21)
Selling, general and administrative expenses	—	1	—	7
Asset impairments and restructuring charges, net	2	—	52	6
Other (income) charges, net	—	—	—	(52)
Total earnings before interest and taxes excluding non-core and unusual items	\$ 369	\$ 451	\$ 1,110	\$ 1,357

⁽¹⁾ See "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's [Quarterly Report on Form 10-Q](#) for third quarter 2018 for descriptions of third quarter and first nine months 2018 non-core and unusual items.

⁽²⁾ First nine months 2019 is additional restructuring charge related to a capital project discontinued in 2016.

⁽³⁾ Third quarter and first nine months 2019 is primarily severance and related restructuring costs.

Table 3B - Segment Non-GAAP Earnings (Loss) Before Interest and Taxes Margins⁽¹⁾⁽²⁾

(Dollars in millions, unaudited)	Third Quarter				First Nine Months			
	2019		2018		2019		2018	
	Adjusted EBIT	Adjusted EBIT Margin	Adjusted EBIT	Adjusted EBIT Margin	Adjusted EBIT	Adjusted EBIT Margin	Adjusted EBIT	Adjusted EBIT Margin
Additives & Functional Products	\$ 144	17.3%	\$ 182	19.9%	\$ 441	17.6%	\$ 548	19.6%
Advanced Materials	159	22.8%	147	20.7%	406	19.8%	429	20.1%
Chemical Intermediates	34	5.9%	79	11.2%	170	9.1%	232	10.8%
Fibers	51	23.5%	57	25.9%	144	22.4%	171	24.2%
Total segment EBIT excluding non-core and unusual items	388	16.7%	465	18.3%	1,161	16.4%	1,380	17.7%
Other	(19)		(14)		(51)		(23)	
Total EBIT excluding non-core and unusual items	<u>\$ 369</u>	15.9%	<u>\$ 451</u>	17.7%	<u>\$ 1,110</u>	15.7%	<u>\$ 1,357</u>	17.5%

⁽¹⁾ For identification of excluded non-core and unusual items and reconciliations to GAAP EBIT, see [Table 3A](#).

⁽²⁾ Adjusted EBIT margin is non-GAAP EBIT divided by GAAP sales. See [Table 2A](#) for sales.

**Table 4A – Non-GAAP Earnings Before Interest and Taxes, Net Earnings,
and Earnings Per Share Reconciliations**

Third Quarter 2019						
	Earnings Before Interest and Taxes	Earnings Before Income Taxes	Provision for Income Taxes	Effective Income Tax Rate	Net Earnings Attributable to Eastman	
					After Tax	Per Diluted Share
(Dollars in millions, except per share amounts, unaudited)						
As reported (GAAP)	\$ 367	\$ 313	\$ 46	15%	\$ 266	\$ 1.93
Non-Core or Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	2	2	1		1	0.01
Non-GAAP (Excluding non-core and unusual items and with adjusted provision for income taxes)	<u>\$ 369</u>	<u>\$ 315</u>	<u>\$ 47</u>	15%	<u>\$ 267</u>	<u>\$ 1.94</u>
Third Quarter 2018						
	Earnings Before Interest and Taxes	Earnings Before Income Taxes	Provision for Income Taxes	Effective Income Tax Rate	Net Earnings Attributable to Eastman	
					After Tax	Per Diluted Share
(Dollars in millions, except per share amounts, unaudited)						
As reported (GAAP)	\$ 517	\$ 459	\$ 46	10%	\$ 412	\$ 2.89
Non-Core or Unusual Items: ⁽¹⁾						
Coal gasification incident insurance in excess of costs	(67)	(67)	(12)		(55)	(0.39)
Costs resulting from tax law changes and outside-U.S. entity reorganizations	1	1	—		1	0.01
Adjustments from tax law changes and outside-U.S. entity reorganizations	—	—	14		(14)	(0.10)
Interim adjustment to tax provision ⁽²⁾	—	—	11		(11)	(0.07)
Non-GAAP (Excluding non-core and unusual items and with adjusted provision for income taxes)	<u>\$ 451</u>	<u>\$ 393</u>	<u>\$ 59</u>	15%	<u>\$ 333</u>	<u>\$ 2.34</u>

⁽¹⁾ See [Table 3A](#) for description of third quarter 2019 and 2018 non-core and unusual items. Provision for income taxes for non-core and unusual items is calculated using the tax rate for the jurisdiction where the gains are taxable and the expenses are deductible.

⁽²⁾ The provision for income taxes for third quarter 2018 was adjusted to reflect the then current forecasted full year effective tax rate.

**Table 4A – Non-GAAP Earnings Before Interest and Taxes, Net Earnings,
and Earnings Per Share Reconciliations (continued)**

First Nine Months 2019						
	Earnings Before Interest and Taxes	Earnings Before Income Taxes	Provision for Income Taxes	Effective Income Tax Rate	Net Earnings Attributable to Eastman	
					After Tax	Per Diluted Share
(Dollars in millions, except per share amounts, unaudited)						
As reported (GAAP)	\$ 1,058	\$ 893	\$ 158	18%	\$ 733	\$ 5.27
Non-Core or Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	52	52	13		39	0.29
Adjustments from tax law changes and outside-U.S. entity reorganizations	—	—	(7)		7	0.05
Interim adjustment to tax provision ⁽²⁾	—	—	(13)		13	0.09
Non-GAAP (Excluding non-core and unusual items)	<u>\$ 1,110</u>	<u>\$ 945</u>	<u>\$ 151</u>	16%	<u>\$ 792</u>	<u>\$ 5.70</u>
First Nine Months 2018						
	Earnings Before Interest and Taxes	Earnings Before Income Taxes	Provision for Income Taxes	Effective Income Tax Rate	Net Earnings Attributable to Eastman	
					After Tax	Per Diluted Share
(Dollars in millions, except per share amounts, unaudited)						
As reported (GAAP)	\$ 1,417	\$ 1,239	\$ 190	15%	\$ 1,046	\$ 7.28
Non-Core or Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	6	6	2		4	0.03
Coal gasification incident insurance in excess of costs	(86)	(86)	(17)		(69)	(0.49)
Costs resulting from tax law changes and outside-U.S. entity reorganizations	20	20	5		15	0.11
Adjustments from tax law changes and outside-U.S. entity reorganizations	—	—	4		(4)	(0.03)
Interim adjustment to tax provision ⁽²⁾	—	—	16		(16)	(0.11)
Non-GAAP (Excluding non-core and unusual items)	<u>\$ 1,357</u>	<u>\$ 1,179</u>	<u>\$ 200</u>	17%	<u>\$ 976</u>	<u>\$ 6.79</u>

⁽¹⁾ See [Table 3A](#) for description of first nine months 2019 and 2018 non-core and unusual items. Provision for income taxes for non-core and unusual items is calculated using the tax rate for the jurisdiction where the gains are taxable and the expenses are deductible.

⁽²⁾ The adjusted provision for income taxes for first nine months 2019 and 2018 is calculated applying the forecasted full year effective tax rate as shown in [Table 4B](#).

Table 4A – Non-GAAP Earnings Before Interest and Taxes, Net Earnings, and Earnings Per Share Reconciliations (continued)

	Second Quarter 2019					
	Earnings Before Interest and Taxes	Earnings Before Income Taxes	Provision for Income Taxes	Effective Income Tax Rate	Net Earnings Attributable to Eastman	
					After Tax	Per Diluted Share
(Dollars in millions, except per share amounts, unaudited)						
As reported (GAAP)	\$ 371	\$ 316	\$ 57	18%	\$ 258	\$ 1.85
Non-Core or Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	18	18	6		12	0.09
Adjustments from tax law changes and outside-U.S. entity reorganizations	—	—	3		(3)	(0.02)
Interim adjustment to tax provision ⁽²⁾	—	—	(10)		10	0.07
Non-GAAP (Excluding non-core and unusual items and with adjusted provision for income taxes)	<u>\$ 389</u>	<u>\$ 334</u>	<u>\$ 56</u>	17%	<u>\$ 277</u>	<u>\$ 1.99</u>

⁽¹⁾ See Table 3A of the [Company's Current Report on Form 8-K dated and furnished July 25, 2019](#) for descriptions of second quarter 2019 non-core and unusual items. Provision for income taxes for non-core and unusual items is calculated using the tax rate for the jurisdiction where the gains are taxable and the expenses are deductible.

⁽²⁾ The provision for income taxes for second quarter 2019 was adjusted to reflect the then current forecasted full year effective tax rate.

Table 4B - Adjusted Effective Tax Rate Calculation

	First Nine Months	
	2019	2018
Effective tax rate	18 %	15%
Discrete tax items ⁽¹⁾	— %	1%
Tax impact of current year non-core and unusual items ⁽²⁾	1 %	—%
Forecasted full year impact of expected tax events	(3)%	1%
Forecasted full year effective tax rate	<u>16 %</u>	<u>17%</u>

⁽¹⁾ "Discrete tax items" are items that are excluded from a company's estimated annual effective tax rate and recognized entirely in the quarter in which the item occurs. First nine months 2018 discrete item relates to an adjustment of prior year income tax returns.

⁽²⁾ Provision for income taxes for non-core and unusual items is calculated using the tax rate for the jurisdiction where the gains are taxable and the expenses are deductible.

Table 5A – Statements of Cash Flows

(Dollars in millions, unaudited)	Third Quarter		First Nine Months	
	2019	2018	2019	2018
Operating activities				
Net earnings ⁽¹⁾	\$ 267	\$ 413	\$ 735	\$ 1,049
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	151	151	462	451
Gain from property insurance	—	—	—	(65)
Provision for deferred income taxes	2	10	13	15
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:				
(Increase) decrease in trade receivables	30	(16)	(50)	(229)
(Increase) decrease in inventories	26	(103)	(122)	(261)
Increase (decrease) in trade payables	(95)	17	(183)	7
Pension and other postretirement contributions (in excess of) less than expenses	(32)	(34)	(97)	(112)
Variable compensation (in excess of) less than expenses	30	47	(15)	23
Other items, net	37	(90)	90	(75)
Net cash provided by operating activities	416	395	833	803
Investing activities				
Additions to properties and equipment	(110)	(137)	(308)	(381)
Proceeds from property insurance ⁽²⁾	—	—	—	65
Acquisitions, net of cash acquired	(29)	—	(48)	—
Other items, net	(2)	1	(4)	1
Net cash used in investing activities	(141)	(136)	(360)	(315)
Financing activities				
Net increase (decrease) in commercial paper and other borrowings	(90)	71	149	339
Proceeds from borrowings	110	140	335	490
Repayment of borrowings	(110)	(265)	(385)	(693)
Dividends paid to stockholders	(85)	(80)	(258)	(240)
Treasury stock purchases	(75)	(125)	(325)	(375)
Other items, net	—	—	(3)	(3)
Net cash used in financing activities	(250)	(259)	(487)	(482)
Effect of exchange rate changes on cash and cash equivalents	(4)	—	(5)	(4)
Net change in cash and cash equivalents	21	—	(19)	2
Cash and cash equivalents at beginning of period	186	193	226	191
Cash and cash equivalents at end of period	\$ 207	\$ 193	\$ 207	\$ 193

⁽¹⁾ Third quarter 2018 net earnings includes \$67 million business interruption insurance in excess of costs from coal gasification incident. First nine months 2018 net earnings includes \$86 million business interruption and property damage insurance in excess of costs from coal gasification incident.

⁽²⁾ Cash proceeds from insurance for coal gasification incident property damage.

Table 5B – Net Cash Provided By Operating Activities to Free Cash Flow Reconciliations

(Dollars in millions, unaudited)	Third Quarter		First Nine Months	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 416	\$ 395	\$ 833	\$ 803
Capital expenditures				
Additions to properties and equipment	(110)	(137)	(308)	(381)
Proceeds from property insurance ⁽¹⁾	—	—	—	65
Net capital expenditures	(110)	(137)	(308)	(316)
Free cash flow	\$ 306	\$ 258	\$ 525	\$ 487

⁽¹⁾ Cash proceeds from insurance for coal gasification incident property damage.

Table 6 – Total Borrowings to Net Debt Reconciliations

(Dollars in millions, unaudited)	September 30,	December 31,
	2019	2018
Total borrowings	\$ 6,209	\$ 6,168
Less: Cash and cash equivalents	207	226
Net debt	\$ 6,002	\$ 5,942