Innovation Day 2018

Appendix




EASTMAN

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

($ in millions)	2004	2010	2011	2012	2013	2014	2015	2016	2017
Net cash provided by operating activities	494	575	625	1,128	1,297	1,433	1,624	1,385	1,657
Add: adjustments to net cash provided by operating activities[1,2,3]		200	110					150	
Adjusted net cash provided by operating activities	**494**	**775**	**735**	**1,128**	**1,297**	**1,433**	**1,624**	**1,535**	**1,657**
Additions to property and equipment	248	243	457	465	483	593	652	626	649
Free cash flow	**246**	**532**	**278**	**663**	**814**	**840**	**972**	**909**	**1,008**

1) 2010 cash from operating activities reflected the adoption of amended accounting guidance for transfers of financial assets which resulted in $200 million of receivables, which were previously accounted for as sold and removed from the balance sheet when transferred under the accounts receivable securitization program being included on the first quarter balance sheet as trade receivables, net. This increase in receivables reduced cash from operations by $200 million in first quarter 2010.
2) 2011 cash from operating activities included the use of $110 million for tax payments for the tax gain on the sale of PET business completed in first quarter 2011.
3) 2015 cash from operating activities included an accelerated pension contribution of $150 million.

Reconciliation of Adjusted Net Income

($ in millions)	2010	2011	2012	2013	2014	2015	2016	2017
Net earnings from continuing operations attributable to Eastman	**$ 416**	**$ 606**	**$ 436**	**$ 1,165**	**$ 749**	**$ 848**	**$ 854**	**$ 1,474**
Non-core items, net of tax:								
Mark-to-market pension and other postretirement benefits (gains) losses, net	31	88	178	(233)	202	70	68	(22)
Asset impairments and restructuring charges (gains), net	18	(5)	80	53	63	151	28	(3)
Acquisition transaction, integration, and financing costs			52	23	39	18	5	
Additional costs of acquired inventories			56		15	4	-	
Early debt extinguishment and other related costs	71				-	-	56	
Cost of disposition of claims against discontinued Solutia operations					-	-	3	5
Gains from sale of businesses					-	-	(11)	(1)
Unusual items, net of tax:								
Net costs resulting from coal gasification incident								80
Estimated tax benefit from enactment of new tax reform legislation								(421)
Net earnings from continuing operations attributable to Eastman excluding non-core and unusual items	**$ 536**	**$ 689**	**$ 802**	**$ 1,008**	**$ 1,068**	**$ 1,091**	**$ 1,003**	**$ 1,112**
Free Cash Flow Conversion	**99%**	**40%**	**83%**	**81%**	**79%**	**89%**	**91%**	**91%**

See Form 8-K filed February 1, 2018 for 2017. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's 2016 Annual Report on Form 10-K for 2016-2014, the 2013 Annual Report on Form 10-K for 2013-2011, and the 2012 Annual Report on Form 10-K for 2010.

Reconciliation of GAAP to Non-GAAP EPS

	2010	2011	2012	2013	2014	2015	2016	2017
Earnings from continuing operations attributable to Eastman per diluted share*	**2.81**	**4.24**	**2.92**	**7.44**	**4.95**	**5.66**	**5.75**	**10.09**
Non-core items, net of tax:								
Mark-to-market pension and other postretirement benefits (gains) losses, net	0.22	0.60	1.20	-1.49	1.34	0.47	0.46	-0.15
Asset impairments and restructuring charges (gains), net	0.12	-0.03	0.54	0.34	0.42	1.00	0.19	-0.02
Acquisition transaction, integration, and financing costs			0.35	0.15	0.26	0.12	0.04	
Additional costs of acquired inventories			0.37		0.10	0.03		
Early debt extinguishment and other related costs	0.48						0.37	
Cost of disposition of claims against discontinued Solutia operations							0.02	0.03
Gains from sale of businesses							-0.07	-0.01
Unusual items, net of tax:								
Net costs resulting from coal gasification incident								0.55
Estimated net tax benefit from enactment of new tax reform legislation								-2.88
Earnings from continuing operations attributable to Eastman excluding non-core and unusual items per diluted share*	**3.63**	**4.81**	**5.38**	**6.44**	**7.07**	**7.28**	**6.76**	**7.61**

Note: Earnings from continuing operations attributable to Eastman per diluted share and excluded non-core and unusual items are presented on an Eastman historical basis as reported in the 2016, 2013, and 2012 Annual Report to Shareholders on Form 10-K and the Current Report on Form 8-K dated February 1, 2018.

Reconciliation of return on invested capital (ROIC)

($ in millions)	2010	2011	2012	2013	2014	2015	2016	2017
Adjusted Net Income	536	689	802	1,008	1,068	1,091	1,003	1,112
Plus Interest Expense, net of tax	68	54	97	119	124	173	167	159
Total	604	743	899	1,127	1,192	1,264	1,171	1,270
Average Debt	1,604	1,601	3,191	4,518	5,901	7,278	6,801	6,513
Average Equity	1,630	1,790	2,589	3,291	3,812	3,847	4,311	4,830
Total Average Investment	3,234	3,391	5,780	7,809	9,713	11,125	11,112	11,343
ROIC	**18.7%**	**21.9%**	**15.5%**	**14.4%**	**12.3%**	**11.4%**	**10.5%**	**11.2%**

Note: Average adjusted equity is computed by summing current and prior year Total Eastman stockholders' equity plus current year non-core and unusual items net of tax as shown in the reconciliation of adjusted net income, all divided by two.

Reconciliation of Adjusted EBITDA to Net Earnings

(Dollars in millions, unaudited)	2004	2010	2011	2012	2013	2014	2015	2016	2017
Net Earnings from Continuing Operations Attributable to Eastman	**$ 170**	**$ 416**	**$ 606**	**$ 436**	**$ 1,165**	**$ 749**	**$ 848**	**$ 854**	**$ 1,474**
Plus:									
Depreciation	320	235	261	309	345	355	402	412	420
Amortization	2	9	12	51	88	95	169	168	167
Net interest expense	115	99	76	143	180	187	263	255	241
Provision (benefit) for income taxes	(106)	202	274	206	507	235	275	190	(177)
EBITDA	**$ 501**	**$ 961**	**$ 1,229**	**$ 1,145**	**$ 2,285**	**$ 1,621**	**$ 1,957**	**$ 1,879**	**$ 2,125**
Add back:									
Mark-to-market pension and other postretirement benefits (gains) losses, net		53	144	276	(383)	304	115	97	(34)
Asset impairments and restructuring charges (gains), net	206	29	(8)	120	76	77	183	45	8
Acquisition integration and transaction costs				44	36	46	28	9	
Early debt extinguishment and other related costs		115				-		85	
Cost of disposition of claims against discontinued Solutia operations								5	9
Gains from sale of businesses								(17)	(3)
Additional costs of acquired inventories				79		24	7	-	
Acquisition financing costs				23		10			
Net costs resulting from coal gasification incident									112
Adjusted EBITDA	**$ 707**	**$ 1,158**	**$ 1,365**	**$ 1,687**	**$ 2,014**	**$ 2,082**	**$ 2,290**	**$ 2,103**	**$ 2,217**
Sales	$ 6,580	$ 5,842	$ 7,178	$ 8,102	$ 9,350	$ 9,527	$ 9,648	$ 9,008	$ 9,549
Adjusted EBITDA Margin	**10.7%**	**19.8%**	**19.0%**	**20.8%**	**21.5%**	**21.9%**	**23.7%**	**23.3%**	**23.2%**

1) See Form 8-K filed February 1, 2018 for 2017. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's 2016 Annual Report on Form 10-K for 2016-2014, the 2013 Annual Report on Form 10-K for 2013-2011, the 2012 Annual Report on Form 10-K for 2010, and the 2004 Annual Report on Form 10-K for 2004.

Reconciliation of segment non-GAAP operating earnings[1]

	AFP	AM	Fibers
2010 revenue	$ 1,320	$ 1,043	$ 1,142
2010 operating earnings	291	88	323
Asset impairments and restructuring charges, net (2)	6	5	3
2017 operating earnings excluding non-core and unusual items	297	93	326
2010 operating margin	23%	10%	29%
2017 revenue	$ 3,343	$ 2,572	$ 852
2017 operating earnings	646	482	175
Asset impairments and restructuring charges, net (2)	3		
Net costs resulting from coal gasification incident (3)	8	11	49
2017 operating earnings excluding non-core and unusual items	657	493	224
2017 operating margin	20%	19%	26%

1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Annual Report on Form 10-K for 2011 and 2016 for description of non-core items.
2) 2010 includes restructuring charges primarily for severance. 2017 is $3 million asset impairments and restructuring charges, including severance, in the Additives and Functional Products ("AFP") segment for the closure of a facility in China.
3) 2017 is net costs of disruption, repairs and reconstruction of the coal gasification facility and restart of operations resulting from the October 4, 2017 incident. See "Coal Gasification Incident".