

FINANCIAL INFORMATION**January 30, 2020**

For Eastman Chemical Company Fourth Quarter 2019 Financial Results Release

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Table 1 – Statements of Earnings

	Fourth Quarter		Twelve Months	
	2019	2018	2019	2018
(Dollars in millions, except per share amounts; unaudited)				
Sales	\$ 2,205	\$ 2,376	\$ 9,273	\$ 10,151
Cost of sales ⁽¹⁾	1,708	1,910	7,039	7,672
Gross profit	497	466	2,234	2,479
Selling, general and administrative expenses	176	167	691	721
Research and development expenses	60	59	234	235
Asset impairments and restructuring charges, net	74	39	126	45
Other components of post-employment (benefit) cost, net ⁽²⁾	122	69	60	(21)
Other (income) charges, net ⁽³⁾	3	(3)	3	(53)
Earnings before interest and taxes	62	135	1,120	1,552
Net interest expense	53	57	218	235
Early debt extinguishment costs	—	7	—	7
Earnings before income taxes	9	71	902	1,310
Provision for (benefit from) income taxes ⁽⁴⁾	(18)	36	140	226
Net earnings	27	35	762	1,084
Less: Net earnings attributable to noncontrolling interest	1	1	3	4
Net earnings attributable to Eastman	<u>\$ 26</u>	<u>\$ 34</u>	<u>\$ 759</u>	<u>\$ 1,080</u>
Basic earnings per share attributable to Eastman	<u>\$ 0.19</u>	<u>\$ 0.25</u>	<u>\$ 5.52</u>	<u>\$ 7.65</u>
Diluted earnings per share attributable to Eastman	<u>\$ 0.19</u>	<u>\$ 0.24</u>	<u>\$ 5.48</u>	<u>\$ 7.56</u>
Shares (in millions) outstanding at end of period	136.0	139.8	136.0	139.8
Shares (in millions) used for earnings per share calculation				
Basic	135.9	139.8	137.4	141.2
Diluted	137.1	141.1	138.5	142.9

- ⁽¹⁾ Fourth quarter 2018 includes \$3 million costs and twelve months 2018 includes \$18 million income from business interruption insurance in excess of costs 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⁾ Fourth quarter and twelve months 2019 and 2018 includes an annual mark-to-market pension and other postretirement benefit plans valuation loss. See [Table 3A](#) and [4](#).
- ⁽³⁾ Twelve months 2018 includes a gain of \$65 million from insurance for property damage from the coal gasification incident.
- ⁽⁴⁾ Twelve months 2019, fourth quarter 2018, and twelve months 2018 includes expense of \$7 million, \$24 million, and \$20 million, respectively, decreasing the provisional net earnings increase previously recognized as a result of tax law changes.

Table 2A – Segment Sales Information

	Fourth Quarter		Twelve Months	
	2019	2018	2019	2018
(Dollars in millions, unaudited)				
Sales by Segment				
Additives & Functional Products	\$ 763	\$ 851	\$ 3,273	\$ 3,647
Advanced Materials	638	624	2,688	2,755
Chemical Intermediates	578	689	2,443	2,831
Fibers	226	212	869	918
Total Eastman Chemical Company	\$ 2,205	\$ 2,376	\$ 9,273	\$ 10,151

Table 2B – Sales Revenue Change

Fourth Quarter 2019 Compared to Fourth Quarter 2018

	Change in Sales Revenue Due To			
	Revenue % Change	Volume / Product Mix Effect	Price Effect	Exchange Rate Effect
(Unaudited)				
Additives & Functional Products	(10) %	(3) %	(6) %	(1) %
Advanced Materials	2 %	5 %	(2) %	(1) %
Chemical Intermediates	(16) %	(1) %	(15) %	— %
Fibers	7 %	8 %	(1) %	— %
Total Eastman Chemical Company	(7) %	1 %	(7) %	(1) %

Twelve Months 2019 Compared to Twelve 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	(2) %	(1) %	— %	(1) %
Chemical Intermediates	(14) %	(4) %	(9) %	(1) %
Fibers	(5) %	(4) %	(1) %	— %
Total Eastman Chemical Company	(9) %	(4) %	(4) %	(1) %

Table 2C – Sales by Customer Location

	Fourth Quarter		Twelve Months	
	2019	2018	2019	2018
(Dollars in millions, unaudited)				
Sales by Customer Location				
United States and Canada	\$ 924	\$ 1,012	\$ 3,885	\$ 4,303
Asia Pacific	549	558	2,278	2,504
Europe, Middle East, and Africa	595	655	2,544	2,756
Latin America	137	151	566	588
Total Eastman Chemical Company	\$ 2,205	\$ 2,376	\$ 9,273	\$ 10,151

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

(Dollars in millions, unaudited)	Fourth Quarter		Twelve Months	
	2019	2018	2019	2018
Additives & Functional Products				
Earnings before interest and taxes	\$ 59	\$ 85	\$ 496	\$ 639
Asset impairments and restructuring charges, net ⁽²⁾⁽³⁾	50	38	54	38
Net coal gasification incident (insurance) costs	—	—	—	(6)
Excluding non-core and unusual items	109	123	550	671
Advanced Materials				
Earnings before interest and taxes	111	71	517	509
Asset impairments and restructuring charges, net ⁽⁴⁾	1	1	1	1
Net coal gasification incident (insurance) costs	—	—	—	(9)
Excluding unusual item	112	72	518	501
Chemical Intermediates				
Earnings before interest and taxes	—	44	170	308
Asset impairments and restructuring charges, net ⁽³⁾	22	—	22	—
Net coal gasification incident (insurance) costs	—	2	—	(30)
Excluding unusual item	22	46	192	278
Fibers				
Earnings before interest and taxes	50	47	194	257
Net coal gasification incident (insurance) costs	—	1	—	(38)
Excluding unusual item	50	48	194	219
Other				
Loss before interest and taxes	(158)	(112)	(257)	(161)
Mark-to-market pension and other postretirement benefit plans (gain) loss, net	143	99	143	99
Asset impairments and restructuring charges, net ⁽⁴⁾	1	—	49	6
Costs resulting from tax law changes and outside-U.S. entity reorganizations	—	—	—	20
Excluding non-core and unusual items	(14)	(13)	(65)	(36)
Total Eastman Chemical Company				
Earnings before interest and taxes	62	135	1,120	1,552
Mark-to-market pension and other postretirement benefit plans (gain) loss, net	143	99	143	99
Asset impairments and restructuring charges, net	74	39	126	45
Net coal gasification incident (insurance) costs	—	3	—	(83)
Costs resulting from tax law changes and outside-U.S. entity reorganizations	—	—	—	20
Total earnings before interest and taxes excluding non-core and unusual items	\$ 279	\$ 276	\$ 1,389	\$ 1,633

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

	Fourth Quarter		Twelve Months	
	2019	2018	2019	2018
(Dollars in millions, unaudited)				
Company Non-GAAP Earnings Before Interest and Taxes				
Reconciliations by Line Items				
Earnings before interest and taxes	\$ 62	\$ 135	\$ 1,120	\$ 1,552
Costs of sales	—	3	—	(18)
Selling, general and administrative expenses	—	—	—	7
Asset impairments and restructuring charges, net	74	39	126	45
Other components of net periodic (benefit) cost	143	99	143	99
Other (income) charges, net	—	—	—	(52)
Total earnings before interest and taxes excluding non-core and unusual items	\$ 279	\$ 276	\$ 1,389	\$ 1,633

- ⁽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 2019 for descriptions of first nine months 2019 non-core and unusual items. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the [Company's Annual Report on Form 10-K](#) for 2018 description of the 2018 non-core and unusual items.
- ⁽²⁾ Fourth quarter 2019 includes a \$45 million goodwill impairment for the crop protection reporting unit resulting from annual impairment testing.
- ⁽³⁾ Fourth quarter 2019 includes charges of \$5 million and \$22 million in the Additives and Functional Products and Chemical Intermediates segments, respectively, for an asset impairment resulting from the decision to exit Singapore manufacturing site operations by the end of 2020.
- ⁽⁴⁾ Primarily severance and related restructuring costs.

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

(Dollars in millions, unaudited)	Fourth Quarter				Twelve 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	\$ 109	14.3%	\$ 123	14.5%	\$ 550	16.8%	\$ 671	18.4%
Advanced Materials	112	17.6%	72	11.5%	518	19.3%	501	18.2%
Chemical Intermediates	22	3.8%	46	6.7%	192	7.9%	278	9.8%
Fibers	50	22.1%	48	22.6%	194	22.3%	219	23.9%
Total segment EBIT excluding non-core and unusual items	293	13.3%	289	12.2%	1,454	15.7%	1,669	16.4%
Other	(14)		(13)		(65)		(36)	
Total EBIT excluding non-core and unusual items	<u>\$ 279</u>	12.7%	<u>\$ 276</u>	11.6%	<u>\$ 1,389</u>	15.0%	<u>\$ 1,633</u>	16.1%

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

Fourth 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)	\$ 62	\$ 9	\$ (18)	(237)%	\$ 26	\$ 0.19
Non-Core or Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	74	74	—		74	0.53
Mark-to-market pension and other postretirement benefit plans loss, net	143	143	34		109	0.80
Interim adjustment to tax provision ⁽²⁾	—	—	13		(13)	(0.10)
Non-GAAP (Excluding non-core and unusual items and with adjusted provision for income taxes)	<u>\$ 279</u>	<u>\$ 226</u>	<u>\$ 29</u>	13 %	<u>\$ 196</u>	<u>\$ 1.42</u>
Fourth 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)	\$ 135	\$ 71	\$ 36	51%	\$ 34	\$ 0.24
Non-Core or Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	39	39	—		39	0.28
Mark-to-market pension and other postretirement benefit plans loss, net	99	99	24		75	0.53
Net costs resulting from coal gasification incident	3	3	1		2	0.02
Early debt extinguishment costs	—	7	1		6	0.04
Adjustments from tax law changes and outside-U.S. entity reorganizations	—	—	(24)		24	0.17
Interim adjustment to tax provision ⁽²⁾	—	—	(16)		16	0.11
Non-GAAP (Excluding non-core and unusual items and with adjusted provision for income taxes)	<u>\$ 276</u>	<u>\$ 219</u>	<u>\$ 22</u>	11%	<u>\$ 196</u>	<u>\$ 1.39</u>

⁽¹⁾ See [Table 3A](#) for description of fourth 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⁾ Fourth quarter 2019 and 2018 is a reconciliation of the adjustments made in interim quarters to reflect the previously forecasted full year effective tax rate.

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

Twelve Months 2019						
(Dollars in millions, except per share amounts, unaudited)	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
As reported (GAAP)	\$ 1,120	\$ 902	\$ 140	16%	\$ 759	\$ 5.48
Non-Core or Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	126	126	13		113	0.81
Mark-to-market pension and other postretirement benefit plans loss, net	143	143	34		109	0.79
Adjustments from tax law changes and outside-U.S. entity reorganizations	—	—	(7)		7	0.05
Non-GAAP (Excluding non-core and unusual items)	<u>\$ 1,389</u>	<u>\$ 1,171</u>	<u>\$ 180</u>	15%	<u>\$ 988</u>	<u>\$ 7.13</u>
Twelve Months 2018						
(Dollars in millions, except per share amounts, unaudited)	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
As reported (GAAP)	\$ 1,552	\$ 1,310	\$ 226	17%	\$ 1,080	\$ 7.56
Non-Core or Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	45	45	2		43	0.30
Mark-to-market pension and other postretirement benefit plans loss, net	99	99	24		75	0.52
Coal gasification incident insurance in excess of costs	(83)	(83)	(16)		(67)	(0.47)
Costs resulting from tax law changes and outside-U.S. entity reorganizations	20	20	5		15	0.11
Early debt extinguishment costs	—	7	1		6	0.04
Adjustments from tax law changes and outside-U.S. entity reorganizations	—	—	(20)		20	0.14
Non-GAAP (Excluding non-core and unusual items)	<u>\$ 1,633</u>	<u>\$ 1,398</u>	<u>\$ 222</u>	16%	<u>\$ 1,172</u>	<u>\$ 8.20</u>

⁽¹⁾ See [Table 3A](#) for description of 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.

Table 5A – Statements of Cash Flows

	Fourth Quarter		Twelve Months	
	2019	2018	2019	2018
(Dollars in millions, unaudited)				
Operating activities				
Net earnings ⁽¹⁾	\$ 27	\$ 35	\$ 762	\$ 1,084
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	149	153	611	604
Mark-to-market pension and other postretirement benefit plans (gain) loss, net	143	99	143	99
Asset impairment charges	72	39	72	39
Early debt extinguishment and other related costs	—	7	—	7
Gain from sale of assets and business	—	(4)	—	(4)
Gain from property insurance	—	—	—	(65)
Provision for (benefit from) deferred income taxes ⁽²⁾	25	(66)	38	(51)
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:				
(Increase) decrease in trade receivables	220	245	170	16
(Increase) decrease in inventories	42	37	(80)	(224)
Increase (decrease) in trade payables	156	83	(27)	90
Pension and other postretirement contributions (in excess of) less than expenses	(22)	(40)	(119)	(152)
Variable compensation (in excess of) less than expenses	53	32	38	55
Other items, net	(194)	120	(104)	45
Net cash provided by operating activities	671	740	1,504	1,543
Investing activities				
Additions to properties and equipment	(117)	(147)	(425)	(528)
Proceeds from property insurance ⁽³⁾	—	—	—	65
Proceeds from sale of assets and business	—	5	—	5
Acquisitions, net of cash acquired	—	(3)	(48)	(3)
Other items, net	(3)	(3)	(7)	(2)
Net cash used in investing activities	(120)	(148)	(480)	(463)
Financing activities				
Net increase (decrease) in commercial paper and other borrowings	(219)	(485)	(70)	(146)
Proceeds from borrowings	125	1,114	460	1,604
Repayment of borrowings	(375)	(1,081)	(760)	(1,774)
Dividends paid to stockholders	(85)	(78)	(343)	(318)
Treasury stock purchases	—	(25)	(325)	(400)
Other items, net	(2)	(3)	(5)	(6)
Net cash used in financing activities	(556)	(558)	(1,043)	(1,040)
Effect of exchange rate changes on cash and cash equivalents	2	(1)	(3)	(5)
Net change in cash and cash equivalents	(3)	33	(22)	35
Cash and cash equivalents at beginning of period	207	193	226	191
Cash and cash equivalents at end of period	<u>\$ 204</u>	<u>\$ 226</u>	<u>\$ 204</u>	<u>\$ 226</u>

⁽¹⁾ Fourth quarter 2018 includes \$3 million costs and twelve months 2018 includes \$83 million income from business interruption and property damage insurance in excess of costs from the coal gasification incident.

⁽²⁾ Twelve months 2019, fourth quarter 2018, and twelve months 2018 includes impact from recent tax law changes.

⁽³⁾ 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)	Fourth Quarter		Twelve Months	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 671	\$ 740	\$ 1,504	\$ 1,543
Capital expenditures				
Additions to properties and equipment	(117)	(147)	(425)	(528)
Proceeds from property insurance ⁽¹⁾	—	—	—	65
Net capital expenditures	(117)	(147)	(425)	(463)
Free cash flow	\$ 554	\$ 593	\$ 1,079	\$ 1,080

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

Table 6 – Total Borrowings to Net Debt Reconciliations

(Dollars in millions, unaudited)	December 31, 2019	December 31, 2018
Total borrowings	\$ 5,782	\$ 6,168
Less: Cash and cash equivalents	204	226
Net debt	\$ 5,578	\$ 5,942