

**FINANCIAL INFORMATION****April 30, 2020**

For Eastman Chemical Company First Quarter 2020 Financial Results Release

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**Table 1 – Statements of Earnings**

	<b>First Quarter</b>	
	<b>2020</b>	<b>2019</b>
(Dollars in millions, except per share amounts; unaudited)		
Sales	\$ 2,241	\$ 2,380
Cost of sales	1,664	1,806
Gross profit	577	574
Selling, general and administrative expenses	160	187
Research and development expenses	61	58
Asset impairments and restructuring charges, net	14	32
Other components of post-employment (benefit) cost, net	(30)	(21)
Other (income) charges, net	4	(2)
Earnings before interest and taxes	368	320
Net interest expense	52	56
Earnings before income taxes	316	264
Provision for income taxes	56	55
Net earnings	260	209
Less: Net earnings attributable to noncontrolling interest	2	—
Net earnings attributable to Eastman	<u>\$ 258</u>	<u>\$ 209</u>
Basic earnings per share attributable to Eastman	<u>\$ 1.90</u>	<u>\$ 1.50</u>
Diluted earnings per share attributable to Eastman	<u>\$ 1.89</u>	<u>\$ 1.49</u>
Shares (in millions) outstanding at end of period	135.9	138.6
Shares (in millions) used for earnings per share calculation		
Basic	136.0	139.0
Diluted	136.5	140.1

**Table 2A – Segment Sales Information**

	First Quarter	
	2020	2019
(Dollars in millions, unaudited)		
Sales by Segment		
Additives & Functional Products	\$ 822	\$ 855
Advanced Materials	615	657
Chemical Intermediates	592	655
Fibers	212	213
<b>Total Eastman Chemical Company</b>	<b>\$ 2,241</b>	<b>\$ 2,380</b>

**Table 2B – Sales Revenue Change**

**First Quarter 2020 Compared to First Quarter 2019**

	Change in Sales Revenue Due To			
	Revenue % Change	Volume / Product Mix Effect	Price Effect	Exchange Rate Effect
(Unaudited)				
Additives & Functional Products	(4) %	3 %	(6) %	(1) %
Advanced Materials	(7) %	(3) %	(3) %	(1) %
Chemical Intermediates	(9) %	— %	(9) %	— %
Fibers	— %	1 %	(1) %	— %
<b>Total Eastman Chemical Company</b>	<b>(6) %</b>	<b>1 %</b>	<b>(6) %</b>	<b>(1) %</b>

**Table 2C – Sales by Customer Location**

	First Quarter	
	2020	2019
(Dollars in millions, unaudited)		
Sales by Customer Location		
United States and Canada	\$ 980	\$ 1,000
Asia Pacific	495	553
Europe, Middle East, and Africa	631	689
Latin America	135	138
<b>Total Eastman Chemical Company</b>	<b>\$ 2,241</b>	<b>\$ 2,380</b>

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

(Dollars in millions, unaudited)	First Quarter	
	2020	2019
<b>Additives &amp; Functional Products</b>		
Earnings before interest and taxes	\$ 143	\$ 146
Asset impairments and restructuring charges, net <sup>(2)</sup>	6	4
Excluding non-core item	149	150
<b>Advanced Materials</b>		
Earnings before interest and taxes	100	102
Asset impairments and restructuring charges, net <sup>(3)</sup>	7	—
Excluding non-core item	107	102
<b>Chemical Intermediates</b>		
Earnings before interest and taxes	80	73
Asset impairments and restructuring charges, net <sup>(4)</sup>	1	—
Excluding non-core item	81	73
<b>Fibers</b>		
Earnings before interest and taxes	53	42
<b>Other</b>		
Loss before interest and taxes	(8)	(43)
Asset impairments and restructuring charges, net	—	28
Excluding non-core items	(8)	(15)
<b>Total Eastman Chemical Company</b>		
Earnings before interest and taxes	368	320
Asset impairments and restructuring charges, net	14	32
Total earnings before interest and taxes excluding non-core items	\$ 382	\$ 352
<b>Company Non-GAAP Earnings Before Interest and Taxes Reconciliations by Line Items</b>		
Earnings before interest and taxes	\$ 368	\$ 320
Asset impairments and restructuring charges, net	14	32
Total earnings before interest and taxes excluding non-core items	\$ 382	\$ 352

<sup>(1)</sup> See "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's [Quarterly Report on Form 10-Q](#) for first quarter 2019 for descriptions of first three months 2019 non-core items.

<sup>(2)</sup> First quarter 2020 charges of \$4 million for a manufacturing facility in Asia Pacific and an intangible asset impairment charge of \$2 million for customer relationships.

<sup>(3)</sup> Charges for closure of a manufacturing facility in North America as part of ongoing site optimization actions.

<sup>(4)</sup> Severance charges for the previously disclosed plan to discontinue production of certain products at the Singapore manufacturing site by the end of 2020.

**Table 3B - Segment Non-GAAP Earnings (Loss) Before Interest and Taxes Margins<sup>(1)(2)</sup>**

(Dollars in millions, unaudited)

	First Quarter			
	2020		2019	
	Adjusted EBIT	Adjusted EBIT Margin	Adjusted EBIT	Adjusted EBIT Margin
Additives & Functional Products	\$ 149	18.1 %	\$ 150	17.5 %
Advanced Materials	107	17.4 %	102	15.5 %
Chemical Intermediates	81	13.7 %	73	11.1 %
Fibers	53	25.0 %	42	19.7 %
Total segment EBIT excluding non-core items	390	17.4 %	367	15.4 %
Other	(8)		(15)	
Total EBIT excluding non-core items	<u>\$ 382</u>	17.0 %	<u>\$ 352</u>	14.8 %

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

<sup>(2)</sup> 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**

	First Quarter 2020					
	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)						
<b>As reported (GAAP)</b>	\$ 368	\$ 316	\$ 56	18 %	\$ 258	\$ 1.89
<b>Non-Core Items:</b> <sup>(1)</sup>						
Asset impairments and restructuring charges, net	14	14	3		11	0.08
Interim adjustment to tax provision <sup>(2)</sup>	—	—	(8)		8	0.06
Non-GAAP (Excluding non-core items and with adjusted provision for income taxes)	<u>\$ 382</u>	<u>\$ 330</u>	<u>\$ 51</u>	16 %	<u>\$ 277</u>	<u>\$ 2.03</u>
	First 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)						
<b>As reported (GAAP)</b>	\$ 320	\$ 264	\$ 55	21 %	\$ 209	\$ 1.49
<b>Non-Core or Unusual Items:</b> <sup>(1)</sup>						
Asset impairments and restructuring charges, net	32	32	6		26	0.18
Adjustments from tax law changes and outside-U.S. entity reorganizations	—	—	(10)		10	0.07
Interim adjustment to tax provision <sup>(2)</sup>	—	—	(3)		3	0.03
Non-GAAP (Excluding non-core and unusual items and with adjusted provision for income taxes)	<u>\$ 352</u>	<u>\$ 296</u>	<u>\$ 48</u>	17 %	<u>\$ 248</u>	<u>\$ 1.77</u>

<sup>(1)</sup> See [Table 3A](#) for description of first quarter 2020 and 2019 non-core 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.

<sup>(2)</sup> The adjusted provision for income taxes for first quarter 2020 and 2019 is calculated applying the forecasted full year effective tax rate as shown in [Table 4B](#).

**Table 4B - Adjusted Effective Tax Rate Calculation**

	First Three Months <sup>(1)</sup>	
	2020	2019
Effective tax rate	18 %	21 %
Discrete tax items <sup>(2)</sup>	(1)%	— %
Tax impact of current year non-core and unusual items <sup>(3)</sup>	1 %	(2)%
Forecasted full year impact of expected tax events	(2)%	(2)%
Forecasted full year effective tax rate	<u>16 %</u>	<u>17 %</u>

<sup>(1)</sup> Effective tax rate percentages are rounded to the nearest whole percent. The forecasted full year effective tax rates are 15.5 percent and 16.5 percent for first three months 2020 and 2019, respectively.

<sup>(2)</sup> "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. Discrete items for first three months 2020 are for share based compensation expense and interest expense on uncertain tax positions.

<sup>(3)</sup> 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)	First Quarter	
	2020	2019
Operating activities		
Net earnings	\$ 260	\$ 209
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	139	155
Asset impairment charges	9	—
Provision for deferred income taxes	12	4
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
(Increase) decrease in trade receivables	(72)	(149)
(Increase) decrease in inventories	(18)	(122)
Increase (decrease) in trade payables	(104)	(42)
Pension and other postretirement contributions (in excess of ) less than expenses	(52)	(36)
Variable compensation (in excess of) less than expenses	(74)	(77)
Other items, net	71	53
<b>Net cash provided by (used in) operating activities</b>	<b>171</b>	<b>(5)</b>
Investing activities		
Additions to properties and equipment	(99)	(106)
Acquisitions, net of cash acquired	—	(19)
Other items, net	(2)	—
<b>Net cash used in investing activities</b>	<b>(101)</b>	<b>(125)</b>
Financing activities		
Net increase (decrease) in commercial paper and other borrowings	539	370
Proceeds from borrowings	—	125
Repayment of borrowings	—	(175)
Dividends paid to stockholders	(90)	(87)
Treasury stock purchases	(30)	(125)
Other items, net	(11)	(6)
<b>Net cash provided by financing activities</b>	<b>408</b>	<b>102</b>
Effect of exchange rate changes on cash and cash equivalents	(2)	(3)
Net change in cash and cash equivalents	476	(31)
Cash and cash equivalents at beginning of period	204	226
Cash and cash equivalents at end of period	\$ 680	\$ 195

**Table 5B – Net Cash Provided By (Used In) Operating Activities to Free Cash Flow Reconciliations**

(Dollars in millions, unaudited)	First Quarter	
	2020	2019
Net cash provided by (used in) operating activities	\$ 171	\$ (5)
Capital expenditures	(99)	(106)
Free cash flow	\$ 72	\$ (111)

**Table 6 – Total Borrowings to Net Debt Reconciliations**

(Dollars in millions, unaudited)	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Total borrowings	\$ 6,294	\$ 5,782
Less: Cash and cash equivalents	680	204
Net debt	<u>\$ 5,614</u>	<u>\$ 5,578</u>