

FINANCIAL INFORMATION**August 3, 2020**

For Eastman Chemical Company Second Quarter 2020 Financial Results Release

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Table 1 – Statements of Earnings

	Second Quarter		First Six Months	
	2020	2019	2020	2019
(Dollars in millions, except per share amounts; unaudited)				
Sales	\$ 1,924	\$ 2,363	\$ 4,165	\$ 4,743
Cost of sales	1,553	1,774	3,217	3,580
Gross profit	371	589	948	1,163
Selling, general and administrative expenses	155	165	315	352
Research and development expenses	52	57	113	115
Asset impairments and restructuring charges, net	141	18	155	50
Other components of post-employment (benefit) cost, net	(30)	(21)	(60)	(42)
Other (income) charges, net	(1)	(1)	3	(3)
Earnings before interest and taxes	54	371	422	691
Net interest expense	55	55	107	111
Earnings (loss) before income taxes	(1)	316	315	580
(Benefit from) provision for income taxes	(31)	57	25	112
Net earnings	30	259	290	468
Less: Net earnings attributable to noncontrolling interest	3	1	5	1
Net earnings attributable to Eastman	<u>\$ 27</u>	<u>\$ 258</u>	<u>\$ 285</u>	<u>\$ 467</u>
Basic earnings per share attributable to Eastman	<u>\$ 0.20</u>	<u>\$ 1.87</u>	<u>\$ 2.10</u>	<u>\$ 3.37</u>
Diluted earnings per share attributable to Eastman	<u>\$ 0.20</u>	<u>\$ 1.85</u>	<u>\$ 2.09</u>	<u>\$ 3.34</u>
Shares (in millions) outstanding at end of period	135.3	137.0	135.3	137.0
Shares (in millions) used for earnings per share calculation				
Basic	135.3	137.8	135.6	138.4
Diluted	136.1	139.1	136.4	139.7

Table 2A – Segment Sales Information

	Second Quarter		First Six Months	
	2020	2019	2020	2019
(Dollars in millions, unaudited)				
Sales by Segment				
Additives & Functional Products	\$ 685	\$ 823	\$ 1,507	\$ 1,678
Advanced Materials	567	696	1,182	1,353
Chemical Intermediates	461	631	1,053	1,286
Fibers	211	213	423	426
Total Eastman Chemical Company	\$ 1,924	\$ 2,363	\$ 4,165	\$ 4,743

Table 2B – Sales Revenue Change

	Second Quarter 2020 Compared to Second Quarter 2019			
	Change in Sales Revenue Due To			
	Revenue % Change	Volume / Product Mix Effect	Price Effect	Exchange Rate Effect
(Unaudited)				
Additives & Functional Products	(17) %	(10) %	(6) %	(1) %
Advanced Materials	(19) %	(16) %	(2) %	(1) %
Chemical Intermediates	(27) %	(18) %	(9) %	— %
Fibers	(1) %	— %	(1) %	— %
Total Eastman Chemical Company	(19) %	(13) %	(5) %	(1) %

	First Six Months 2020 Compared to First Six Months 2019			
	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	(13) %	(10) %	(2) %	(1) %
Chemical Intermediates	(18) %	(9) %	(9) %	— %
Fibers	(1) %	— %	(1) %	— %
Total Eastman Chemical Company	(12) %	(6) %	(5) %	(1) %

	Second Quarter 2020 Compared to First Quarter 2020			
	Change in Sales Revenue Due To			
	Revenue % Change	Volume / Product Mix Effect	Price Effect	Exchange Rate Effect
(Unaudited)				
Additives & Functional Products	(17) %	(15) %	(2) %	— %
Advanced Materials	(8) %	(8) %	— %	— %
Chemical Intermediates	(22) %	(16) %	(6) %	— %
Fibers	— %	— %	— %	— %
Total Eastman Chemical Company	(14) %	(12) %	(2) %	— %

Table 2C – Sales by Customer Location

(Dollars in millions, unaudited) Sales by Customer Location	Second Quarter		First Six Months	
	2020	2019	2020	2019
United States and Canada	\$ 786	\$ 995	\$ 1,766	\$ 1,995
Asia Pacific	523	574	1,018	1,127
Europe, Middle East, and Africa	526	649	1,157	1,338
Latin America	89	145	224	283
Total Eastman Chemical Company	<u>\$ 1,924</u>	<u>\$ 2,363</u>	<u>\$ 4,165</u>	<u>\$ 4,743</u>

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

(Dollars in millions, unaudited)	Second Quarter		First Six Months	
	2020	2019	2020	2019
Additives & Functional Products				
Earnings (loss) before interest and taxes	\$ (56)	\$ 147	\$ 87	\$ 293
Asset impairments and restructuring charges, net ⁽²⁾⁽³⁾	128	—	134	4
Excluding non-core item	72	147	221	297
Advanced Materials				
Earnings before interest and taxes	64	145	164	247
Asset impairments and restructuring charges, net ⁽⁴⁾	—	—	7	—
Excluding non-core item	64	145	171	247
Chemical Intermediates				
Earnings before interest and taxes	20	63	100	136
Asset impairments and restructuring charges, net ⁽⁵⁾	2	—	3	—
Excluding non-core item	22	63	103	136
Fibers				
Earnings before interest and taxes	46	51	99	93
Other				
Loss before interest and taxes	(20)	(35)	(28)	(78)
Asset impairments and restructuring charges, net ⁽⁶⁾	11	18	11	46
Excluding non-core items	(9)	(17)	(17)	(32)
Total Eastman Chemical Company				
Earnings before interest and taxes	54	371	422	691
Asset impairments and restructuring charges, net	141	18	155	50
Total earnings before interest and taxes excluding non-core items	\$ 195	\$ 389	\$ 577	\$ 741
Company Non-GAAP Earnings Before Interest and Taxes Reconciliations by Line Items				
Earnings before interest and taxes	\$ 54	\$ 371	\$ 422	\$ 691
Asset impairments and restructuring charges, net	141	18	155	50
Total earnings before interest and taxes excluding non-core items	\$ 195	\$ 389	\$ 577	\$ 741

- ⁽¹⁾ See "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the [Quarterly Report on Form 10-Q](#) for second quarter 2019 for descriptions of second quarter and first six months 2019 non-core items.
- ⁽²⁾ Second quarter and first six months 2020 charges of \$123 million for impairment of tradenames in tire additives and a \$5 million charge for closure of a tire additives manufacturing facility in Asia Pacific as part of ongoing site optimization actions.
- ⁽³⁾ First six months 2020 charges of \$4 million for closure of manufacturing facilities in Asia Pacific as part of ongoing site optimization actions and an intangible asset impairment charge of \$2 million for customer relationships.
- ⁽⁴⁾ First six months 2020 charges for closure of a manufacturing facility in North America as part of ongoing site optimization actions.
- ⁽⁵⁾ Second quarter and first six months 2020 severance charges for the previously reported plan to discontinue production of certain products at the Singapore manufacturing site by the end of 2020.
- ⁽⁶⁾ Second quarter and first six months 2020 charges of \$8 million for fixed asset impairments and \$3 million for contract termination fees resulting from managements' decision to discontinue certain growth initiatives.

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

	First Quarter 2020
(Dollars in millions, unaudited)	
Additives & Functional Products	
Earnings before interest and taxes	\$ 143
Asset impairments and restructuring charges, net	6
Excluding non-core item	149
Advanced Materials	
Earnings before interest and taxes	100
Asset impairments and restructuring charges, net	7
Excluding non-core item	107
Chemical Intermediates	
Earnings before interest and taxes	80
Asset impairments and restructuring charges, net	1
Excluding non-core item	81
Fibers	
Earnings before interest and taxes	53
Other	
Loss before interest and taxes	(8)
Asset impairments and restructuring charges, net	—
Excluding non-core items	(8)
Total Eastman Chemical Company	
Earnings before interest and taxes	368
Asset impairments and restructuring charges, net	14
Total earnings before interest and taxes excluding non-core items	<u>\$ 382</u>
Company Non-GAAP Earnings Before Interest and Taxes Reconciliations by Line Items	
Earnings before interest and taxes	\$ 368
Asset impairments and restructuring charges, net	14
Total earnings before interest and taxes excluding non-core items	<u>\$ 382</u>

⁽¹⁾ See "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the [Quarterly Report on Form 10-Q](#) for first quarter 2020 for descriptions of first quarter 2020 non-core items.

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

(Dollars in millions, unaudited)	Second Quarter				First Six Months			
	2020		2019		2020		2019	
	Adjusted EBIT	Adjusted EBIT Margin	Adjusted EBIT	Adjusted EBIT Margin	Adjusted EBIT	Adjusted EBIT Margin	Adjusted EBIT	Adjusted EBIT Margin
Additives & Functional Products	\$ 72	10.5 %	\$ 147	17.9 %	\$ 221	14.7 %	\$ 297	17.7 %
Advanced Materials	64	11.3 %	145	20.8 %	171	14.5 %	247	18.3 %
Chemical Intermediates	22	4.8 %	63	10.0 %	103	9.8 %	136	10.6 %
Fibers	46	21.8 %	51	23.9 %	99	23.4 %	93	21.8 %
Total segment EBIT excluding non-core items	204	10.6 %	406	17.2 %	594	14.3 %	773	16.3 %
Other	(9)		(17)		(17)		(32)	
Total EBIT excluding non-core items	<u>\$ 195</u>	<u>10.1 %</u>	<u>\$ 389</u>	<u>16.5 %</u>	<u>\$ 577</u>	<u>13.9 %</u>	<u>\$ 741</u>	<u>15.6 %</u>

⁽¹⁾ For identification of excluded non-core 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.

(Dollars in millions, unaudited)	First Quarter	
	2020	
	Adjusted EBIT	Adjusted EBIT Margin
Additives & Functional Products	\$ 149	18.1 %
Advanced Materials	107	17.4 %
Chemical Intermediates	81	13.7 %
Fibers	53	25.0 %
Total segment EBIT excluding non-core items	390	17.4 %
Other	(8)	
Total EBIT excluding non-core items	<u>\$ 382</u>	<u>17.0 %</u>

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

⁽²⁾ Adjusted EBIT margin is non-GAAP EBIT divided by GAAP sales. For first quarter 2020 sales, see Management's Discussion and Analysis of Financial Condition and Results of Operations" of the [Quarterly Report on Form 10-Q](#) for first quarter 2020.

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

Second Quarter 2020						
	Earnings Before Interest and Taxes	Earnings (Loss) Before Income Taxes	(Benefit from) 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)	\$ 54	\$ (1)	\$ (31)	—	\$ 27	\$ 0.20
Non-Core Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	141	141	33		108	0.79
Interim adjustment to tax provision ⁽²⁾	—	—	19		(19)	(0.14)
Non-GAAP (Excluding non-core items and with adjusted provision for income taxes)	<u>\$ 195</u>	<u>\$ 140</u>	<u>\$ 21</u>	16 %	<u>\$ 116</u>	<u>\$ 0.85</u>
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](#) for description of second 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.

⁽²⁾ The adjusted provision for income taxes for second quarter 2020 and 2019 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)

	First Six Months 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)						
As reported (GAAP)	\$ 422	\$ 315	\$ 25	8 %	\$ 285	\$ 2.09
Non-Core Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	155	155	36		119	0.87
Interim adjustment to tax provision ⁽²⁾	—	—	11		(11)	(0.08)
Non-GAAP (Excluding non-core items and with adjusted provision for income taxes)	<u>\$ 577</u>	<u>\$ 470</u>	<u>\$ 72</u>	16 %	<u>\$ 393</u>	<u>\$ 2.88</u>

	First Six 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)	\$ 691	\$ 580	\$ 112	19 %	\$ 467	\$ 3.34
Non-Core or Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	50	50	12		38	0.27
Adjustments from tax law changes and outside-U.S. entity reorganizations	—	—	(7)		7	0.05
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>\$ 741</u>	<u>\$ 630</u>	<u>\$ 104</u>	17 %	<u>\$ 525</u>	<u>\$ 3.76</u>

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

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

	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)						
As reported (GAAP)	\$ 368	\$ 316	\$ 56	18 %	\$ 258	\$ 1.89
Non-Core Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	14	14	3		11	0.08
Interim adjustment to tax provision ⁽²⁾	—	—	(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>

⁽¹⁾ See [Table 3A](#) for description of first quarter 2020 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.

⁽²⁾ The adjusted provision for income taxes for first quarter 2020 was calculated applying the then current forecasted full year effective tax rate.

Table 4B - Adjusted Effective Tax Rate Calculation

	First Six Months ⁽¹⁾	
	2020	2019
Effective tax rate	8 %	19 %
Discrete tax items ⁽²⁾	1 %	— %
Tax impact of current year non-core and unusual items ⁽³⁾	7 %	1 %
Changes in tax contingencies and valuation allowances	2 %	— %
Forecasted full year impact of expected tax events	(2)%	(3)%
Forecasted full year effective tax rate	<u>16 %</u>	<u>17 %</u>

- ⁽¹⁾ 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 six months 2020 and 2019, respectively.
- ⁽²⁾ "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 six months 2020 are for share based compensation expense and estimated adjustments to certain prior year tax returns.
- ⁽³⁾ 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

	Second Quarter		First Six Months	
	2020	2019	2020	2019
(Dollars in millions, unaudited)				
Operating activities				
Net earnings	\$ 30	\$ 259	\$ 290	\$ 468
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	141	156	280	311
Asset impairment charges	136	—	145	—
(Benefit from) provision for deferred income taxes	(1)	7	11	11
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:				
(Increase) decrease in trade receivables	145	69	73	(80)
(Increase) decrease in inventories	239	(26)	221	(148)
Increase (decrease) in trade payables	(239)	(46)	(343)	(88)
Pension and other postretirement contributions (in excess of) less than expenses	(31)	(29)	(83)	(65)
Variable compensation (in excess of) less than expenses	44	32	(30)	(45)
Other items, net	(28)	—	43	53
Net cash provided by operating activities	436	422	607	417
Investing activities				
Additions to properties and equipment	(97)	(92)	(196)	(198)
Acquisitions, net of cash acquired	—	—	—	(19)
Other items, net	(3)	(2)	(5)	(2)
Net cash used in investing activities	(100)	(94)	(201)	(219)
Financing activities				
Net increase (decrease) in commercial paper and other borrowings	(442)	(131)	97	239
Proceeds from borrowings	249	100	249	225
Repayment of borrowings	—	(100)	—	(275)
Dividends paid to stockholders	(89)	(86)	(179)	(173)
Treasury stock purchases	(30)	(125)	(60)	(250)
Other items, net	(2)	3	(13)	(3)
Net cash (used in) provided by financing activities	(314)	(339)	94	(237)
Effect of exchange rate changes on cash and cash equivalents	2	2	—	(1)
Net change in cash and cash equivalents	24	(9)	500	(40)
Cash and cash equivalents at beginning of period	680	195	204	226
Cash and cash equivalents at end of period	<u>\$ 704</u>	<u>\$ 186</u>	<u>\$ 704</u>	<u>\$ 186</u>

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

	Second Quarter		First Six Months	
	2020	2019	2020	2019
(Dollars in millions, unaudited)				
Net cash provided by operating activities	\$ 436	\$ 422	\$ 607	\$ 417
Capital expenditures	(97)	(92)	(196)	(198)
Free cash flow	<u>\$ 339</u>	<u>\$ 330</u>	<u>\$ 411</u>	<u>\$ 219</u>

Table 6 – Total Borrowings to Net Debt Reconciliations

(Dollars in millions, unaudited)	June 30, 2020	December 31, 2019
Total borrowings	\$ 6,133	\$ 5,782
Less: Cash and cash equivalents	704	204
Net debt	<u>\$ 5,429</u>	<u>\$ 5,578</u>