

FINANCIAL INFORMATION**July 27, 2023**

For Eastman Chemical Company Second Quarter 2023 Financial Results Release

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Table 1 – Statements of Earnings

	Second Quarter		First Six Months	
	2023	2022	2023	2022
(Dollars in millions, except per share amounts; unaudited)				
Sales	\$ 2,324	\$ 2,784	\$ 4,736	\$ 5,498
Cost of sales ⁽¹⁾⁽²⁾	1,740	2,114	3,623	4,278
Gross profit	584	670	1,113	1,220
Selling, general and administrative expenses	185	185	376	381
Research and development expenses	60	67	122	132
Asset impairments and restructuring charges, net	—	19	22	21
Other components of post-employment (benefit) cost, net	(3)	(34)	(6)	(65)
Other (income) charges, net	19	14	30	2
Gain on divested business ⁽³⁾	—	(7)	—	(10)
Earnings before interest and taxes	323	426	569	759
Net interest expense	54	45	106	91
Earnings before income taxes	269	381	463	668
(Benefit from) provision for income taxes	(3)	124	57	175
Net earnings	272	257	406	493
Less: Net earnings attributable to noncontrolling interest	—	1	—	2
Net earnings attributable to Eastman	<u>\$ 272</u>	<u>\$ 256</u>	<u>\$ 406</u>	<u>\$ 491</u>
Basic earnings per share attributable to Eastman	<u>\$ 2.28</u>	<u>\$ 2.05</u>	<u>\$ 3.41</u>	<u>\$ 3.87</u>
Diluted earnings per share attributable to Eastman	<u>\$ 2.27</u>	<u>\$ 2.03</u>	<u>\$ 3.39</u>	<u>\$ 3.82</u>
Shares (in millions) outstanding at end of period	118.6	122.8	118.6	122.8
Shares (in millions) used for earnings per share calculation				
Basic	118.8	124.8	118.9	126.9
Diluted	119.6	126.4	119.6	128.6

⁽¹⁾ First six months 2023 includes \$8 million insurance proceeds, net of costs, and second quarter and first six months 2022 included \$17 million and \$42 million costs, net of insurance proceeds, respectively, from the previously reported operational incident at the Kingsport site as a result of a steam line failure (the "steam line incident").

⁽²⁾ First six months 2023 includes \$23 million accelerated depreciation related to the closure of an acetate yarn manufacturing facility in Europe.

⁽³⁾ Second quarter and first six months 2022 related to the sale of adhesives resins (including hydrocarbon resins, pure monomer resins, polyolefin polymers, rosins and dispersions, and oleochemical and fatty-acid based resins product lines).

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Table 2A – Segment Sales Information

(Dollars in millions, unaudited)	Second Quarter		First Six Months	
	2023	2022	2023	2022
Sales by Segment				
Advanced Materials	\$ 739	\$ 846	\$ 1,481	\$ 1,583
Additives & Functional Products ⁽¹⁾	747	924	1,524	1,813
Chemical Intermediates ⁽¹⁾	514	772	1,103	1,487
Fibers	323	242	626	455
Total Sales by Segment	2,323	2,784	4,734	5,338
Other ⁽²⁾	1	—	2	160
Total Eastman Chemical Company	\$ 2,324	\$ 2,784	\$ 4,736	\$ 5,498

(Dollars in millions, unaudited)	First Quarter	
	2023	
Sales by Segment		
Advanced Materials	\$ 742	
Additives & Functional Products	777	
Chemical Intermediates	589	
Fibers	303	
Total Sales by Segment	2,411	
Other	1	
Total Eastman Chemical Company	\$ 2,412	

⁽¹⁾ Second quarter and first six months 2022 sales revenue and earnings before interest and taxes ("EBIT") have been recast as a result of the Company's product moves during first quarter 2023.

⁽²⁾ "Other" in first six months 2022 includes sales revenue and EBIT from a previously divested business.

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Table 2B – Sales Revenue Change

(Unaudited)	Second Quarter 2023 Compared to Second Quarter 2022			
	Change in Sales Revenue Due To			
	Revenue % Change	Volume / Product Mix Effect	Price Effect	Exchange Rate Effect
Advanced Materials	(13) %	(15) %	3 %	(1) %
Additives & Functional Products	(19) %	(14) %	(5) %	— %
Chemical Intermediates	(33) %	(22) %	(11) %	— %
Fibers	33 %	1 %	32 %	— %
Total Eastman Chemical Company ⁽¹⁾	(17) %	(15) %	(1) %	(1) %

(Unaudited)	First Six Months 2023 Compared to First Six Months 2022				
	Change in Sales Revenue Due To				
	Revenue % Change	Volume / Product Mix Effect	Price Effect	Exchange Rate Effect	Divested Business Effect
Advanced Materials	(6) %	(11) %	6 %	(1) %	— %
Additives & Functional Products	(16) %	(15) %	— %	(1) %	— %
Chemical Intermediates	(26) %	(18) %	(8) %	— %	— %
Fibers	38 %	3 %	36 %	(1) %	— %
Total Eastman Chemical Company ⁽¹⁾	(14) %	(13) %	3 %	(1) %	(3) %

⁽¹⁾ Sales revenue in Other is included in Total Eastman Chemical Company.

(Unaudited)	Second Quarter 2023 Compared to First Quarter 2023			
	Change in Sales Revenue Due To			
	Revenue % Change	Volume / Product Mix Effect	Price Effect	Exchange Rate Effect
Advanced Materials	(1) %	(1) %	— %	— %
Additives & Functional Products	(4) %	— %	(4) %	— %
Chemical Intermediates	(13) %	(8) %	(5) %	— %
Fibers	7 %	6 %	1 %	— %
Total Eastman Chemical Company	(4) %	(2) %	(2) %	— %

Table 2C – Sales by Customer Location

(Dollars in millions, unaudited)	Second Quarter		First Six Months	
	2023	2022	2023	2022
Sales by Customer Location				
United States and Canada	\$ 1,000	\$ 1,304	\$ 2,065	\$ 2,502
Europe, Middle East, and Africa	635	681	1,344	1,426
Asia Pacific	557	638	1,078	1,250
Latin America	132	161	249	320
Total Eastman Chemical Company	<u>\$ 2,324</u>	<u>\$ 2,784</u>	<u>\$ 4,736</u>	<u>\$ 5,498</u>

**Table 3A - Segment, Other, and Company
Non-GAAP Earnings (Loss) Before Interest and Taxes Reconciliations ⁽¹⁾⁽²⁾**

(Dollars in millions, unaudited)	Second Quarter		First Six Months	
	2023	2022	2023	2022
Advanced Materials				
Earnings before interest and taxes	\$ 99	\$ 141	\$ 185	\$ 202
Asset impairments and restructuring charges, net	—	17	—	18
Excluding non-core item	99	158	185	220
Additives & Functional Products				
Earnings before interest and taxes	140	160	264	327
Chemical Intermediates				
Earnings before interest and taxes	39	142	81	254
Asset impairments and restructuring charges, net	—	1	—	2
Excluding non-core item	39	143	81	256
Fibers				
Earnings before interest and taxes	106	37	171	61
Asset impairments and restructuring charges, net ⁽³⁾	—	—	6	—
Accelerated depreciation ⁽³⁾	—	—	23	—
Excluding non-core items	106	37	200	61
Other				
Loss before interest and taxes	(61)	(54)	(132)	(85)
Mark-to-market pension and other postretirement benefit plans (gain), net	—	(3)	—	(3)
Asset impairments and restructuring charges, net ⁽⁴⁾	—	1	16	1
Net steam line incident costs (insurance proceeds) ⁽⁵⁾	—	17	(8)	42
Net (gain) loss on divested business and transaction costs	—	(5)	—	1
Environmental and other costs ⁽⁶⁾	13	15	13	15
Excluding non-core and unusual items	(48)	(29)	(111)	(29)
Total Eastman Chemical Company				
Earnings before interest and taxes	323	426	569	759
Mark-to-market pension and other postretirement benefit plans (gain), net	—	(3)	—	(3)
Asset impairments and restructuring charges, net	—	19	22	21
Net steam line incident costs (insurance proceeds)	—	17	(8)	42
Net (gain) loss on divested business and transaction costs	—	(5)	—	1
Accelerated depreciation	—	—	23	—
Environmental and other costs	13	15	13	15
Total earnings before interest and taxes excluding non-core and unusual items	\$ 336	\$ 469	\$ 619	\$ 835

⁽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 2022 for description of second quarter and first six months 2022 non-core and unusual items.

⁽²⁾ See [Table 2A](#) Note 1.

⁽³⁾ Site closure costs and accelerated depreciation related to the closure of an acetate yarn manufacturing facility in Europe.

⁽⁴⁾ Severance charges as part of fourth quarter 2022 cost reduction initiatives.

⁽⁵⁾ See [Table 1](#) Note 1.

⁽⁶⁾ Environmental and other costs from previously divested or non-operational sites and product lines.

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

	Second Quarter		First Six Months	
	2023	2022	2023	2022
(Dollars in millions, unaudited)				
Company Non-GAAP Earnings Before Interest and Taxes				
Reconciliations by Line Items				
Earnings before interest and taxes	\$ 323	\$ 426	\$ 569	\$ 759
Costs of sales	—	17	15	42
Selling, general and administrative expenses	—	2	—	11
Asset impairments and restructuring charges, net	—	19	22	21
Other components of post-employment (benefit) cost, net	—	(3)	—	(3)
Other (income) charges, net	13	15	13	15
Gain on divested business	—	(7)	—	(10)
Total earnings before interest and taxes excluding non-core and unusual items	\$ 336	\$ 469	\$ 619	\$ 835

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

	First Quarter 2023
(Dollars in millions, unaudited)	
Advanced Materials	
Earnings before interest and taxes	\$ 86
Additives & Functional Products	
Earnings before interest and taxes	124
Chemical Intermediates	
Earnings before interest and taxes	42
Fibers	
Earnings before interest and taxes	65
Asset impairments and restructuring charges, net	6
Accelerated depreciation	23
Excluding non-core items	94
Other	
Loss before interest and taxes	(71)
Asset impairments and restructuring charges, net	16
Net steam line incident costs (insurance proceeds)	(8)
Excluding non-core and unusual items	(63)
Total Eastman Chemical Company	
Earnings before interest and taxes	246
Asset impairments and restructuring charges, net	22
Net steam line incident costs (insurance proceeds)	(8)
Accelerated depreciation	23
Total earnings before interest and taxes excluding non-core and unusual items	\$ 283
Company Non-GAAP Earnings Before Interest and Taxes Reconciliations by Line Items	
Earnings before interest and taxes	\$ 246
Costs of sales	15
Asset impairments and restructuring charges, net	22
Total earnings before interest and taxes excluding non-core and unusual items	\$ 283

⁽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 2023 for description of first quarter 2023 non-core and unusual items.

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

(Dollars in millions, unaudited)	Second Quarter				First Six Months			
	2023		2022		2023		2022	
	Adjusted EBIT	Adjusted EBIT Margin	Adjusted EBIT	Adjusted EBIT Margin	Adjusted EBIT	Adjusted EBIT Margin	Adjusted EBIT	Adjusted EBIT Margin
Advanced Materials	\$ 99	13.4 %	\$ 158	18.7 %	\$ 185	12.5 %	\$ 220	13.9 %
Additives & Functional Products ⁽³⁾	140	18.7 %	160	17.3 %	264	17.3 %	327	18.0 %
Chemical Intermediates ⁽³⁾	39	7.6 %	143	18.5 %	81	7.3 %	256	17.2 %
Fibers	106	32.8 %	37	15.3 %	200	31.9 %	61	13.4 %
Total segment EBIT excluding non-core and unusual items	384	16.5 %	498	17.9 %	730	15.4 %	864	16.2 %
Other	(48)		(29)		(111)		(29)	
Total EBIT excluding non-core and unusual items	<u>\$ 336</u>	14.5 %	<u>\$ 469</u>	16.8 %	<u>\$ 619</u>	13.1 %	<u>\$ 835</u>	15.2 %

(Dollars in millions, unaudited)	First Quarter	
	2023	
	Adjusted EBIT	Adjusted EBIT Margin
Advanced Materials	\$ 86	11.6 %
Additives & Functional Products	124	16.0 %
Chemical Intermediates	42	7.1 %
Fibers	94	31.0 %
Total segment EBIT excluding non-core and unusual items	346	14.4 %
Other	(63)	
Total EBIT excluding non-core and unusual items	<u>\$ 283</u>	11.7 %

⁽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.

⁽³⁾ See [Table 2A](#) Note 1.

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

Second Quarter 2023						
(Dollars in millions, except per share amounts, unaudited)	Earnings Before Interest and Taxes	Earnings Before Income Taxes	(Benefit from) Provision for Income Taxes	Effective Income Tax Rate	Net Earnings Attributable to Eastman	
					After Tax	Per Diluted Share
As reported (GAAP)	\$ 323	\$ 269	\$ (3)	(1)%	\$ 272	\$ 2.27
Non-Core and Unusual Items: ⁽¹⁾						
Environmental and other costs	13	13	4		9	0.08
Adjustment from tax law changes ⁽²⁾	—	—	23		(23)	(0.19)
Interim adjustment to tax provision ⁽³⁾	—	—	20		(20)	(0.17)
Non-GAAP (Excluding non-core and unusual items and with adjusted provision for income taxes)	<u>\$ 336</u>	<u>\$ 282</u>	<u>\$ 44</u>	16 %	<u>\$ 238</u>	<u>\$ 1.99</u>
Second Quarter 2022						
(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)	\$ 426	\$ 381	\$ 124	33 %	\$ 256	\$ 2.03
Non-Core and Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	19	19	4		15	0.12
Mark-to-market pension and other postretirement benefit plans (gain), net	(3)	(3)	—		(3)	(0.02)
Net (gain) loss on divested business and transaction costs	(5)	(5)	(61)		56	0.43
Steam line incident costs (insurance proceeds), net	17	17	4		13	0.10
Environmental and other costs	15	15	4		11	0.09
Interim adjustment to tax provision ⁽³⁾	—	—	(10)		10	0.08
Non-GAAP (Excluding non-core and unusual items and with adjusted provision for income taxes)	<u>\$ 469</u>	<u>\$ 424</u>	<u>\$ 65</u>	16 %	<u>\$ 358</u>	<u>\$ 2.83</u>

⁽¹⁾ See [Table 3A](#) for description of second quarter 2023 and 2022 non-core and unusual items excluded from non-GAAP EBIT. 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⁾ Second quarter and first six months 2023 included a decrease to the provision due to state tax law changes that were enacted in second quarter 2023 that extend the carryforward period to utilize existing state credits. Additionally, an increase in first six months 2023 was recognized as a result of state guidance issued in first quarter 2023 related to the 2017 Tax Cuts and Jobs Act (the "Tax Reform Act").

⁽³⁾ The adjusted provision for income taxes for second quarter 2023 and 2022 is calculated applying the forecasted full year effective tax rate as shown in [Table 4B](#).

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

	First Six Months 2023					
	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)	\$ 569	\$ 463	\$ 57	12 %	\$ 406	\$ 3.39
Non-Core or Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	22	22	4		18	0.14
Accelerated depreciation	23	23	3		20	0.17
Steam line incident costs (insurance proceeds), net	(8)	(8)	(2)		(6)	(0.05)
Environmental and other costs	13	13	4		9	0.08
Interim adjustment to tax provision ⁽²⁾	—	—	14		(14)	(0.11)
Non-GAAP (Excluding non-core and unusual items)	<u>\$ 619</u>	<u>\$ 513</u>	<u>\$ 80</u>	16 %	<u>\$ 433</u>	<u>\$ 3.62</u>
	First Six Months 2022					
	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)	\$ 759	\$ 668	\$ 175	26 %	\$ 491	\$ 3.82
Non-Core or Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	21	21	5		16	0.13
Net (gain) loss on divested business and transaction costs	1	1	(63)		64	0.50
Mark-to-market pension and other postretirement benefit plans (gain), net	(3)	(3)	—		(3)	(0.02)
Steam line incident costs (insurance proceeds), net	42	42	10		32	0.24
Environmental and other costs	15	15	4		11	0.09
Interim adjustment to tax provision ⁽²⁾	—	—	(16)		16	0.12
Non-GAAP (Excluding non-core and unusual items)	<u>\$ 835</u>	<u>\$ 744</u>	<u>\$ 115</u>	16 %	<u>\$ 627</u>	<u>\$ 4.88</u>

⁽¹⁾ See [Table 3A](#) for description of first six months 2023 and 2022 non-core and unusual items excluded from non-GAAP EBIT. 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 2023 and 2022 is calculated applying the forecasted full year effective tax rate as shown in [Table 4B](#).

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

(Dollars in millions, except per share amounts, unaudited)	First Quarter 2023					
	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)	\$ 246	\$ 194	\$ 60	31 %	\$ 134	\$ 1.12
Non-Core and Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	22	22	4		18	0.14
Accelerated depreciation	23	23	3		20	0.17
Steam line incident costs (insurance proceeds), net	(8)	(8)	(2)		(6)	(0.05)
Adjustment from tax law changes ⁽²⁾	—	—	(23)		23	0.19
Interim adjustment to tax provision ⁽³⁾	—	—	(6)		6	0.06
Non-GAAP (Excluding non-core and unusual items and with adjusted provision for income taxes)	\$ 283	\$ 231	\$ 36	16 %	\$ 195	\$ 1.63

- ⁽¹⁾ See [Table 3A](#) for description of first quarter 2023 non-core and unusual items excluded from non-GAAP EBIT. 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⁾ Increase to the provision for state income taxes due to adjustment of the amount recognized in prior periods resulting from recently issued state guidance related to the Tax Reform Act.
- ⁽³⁾ The adjusted provision for income taxes for first quarter 2023 was calculated applying the then forecasted full year effective tax rate.

Table 4B - Adjusted Effective Tax Rate Calculation

	First Six Months ⁽¹⁾	
	2023	2022
Effective tax rate	12 %	26 %
Tax impact of current year non-core and unusual items ⁽²⁾	2 %	(6)%
Changes in tax contingencies and valuation allowances	2 %	— %
Forecasted full year impact of expected tax events	— %	(4)%
Forecasted full year adjusted effective tax rate	16 %	16 %

- ⁽¹⁾ Effective tax rate percentages are rounded to the nearest whole percent. The forecasted full year effective tax rates are 15.5 percent for both first six months 2023 and 2022.
- ⁽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.

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Table 5 – Statements of Cash Flows

(Dollars in millions, unaudited)	Second Quarter		First Six Months	
	2023	2022	2023	2022
Operating activities				
Net earnings	\$ 272	\$ 257	\$ 406	\$ 493
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	119	122	260	243
Mark-to-market pension and other postretirement benefit plans (gain), net	—	(3)	—	(3)
Loss on sale of assets	—	15	—	15
Gain on divested business	—	(7)	—	(10)
Benefit from deferred income taxes	(86)	(57)	(93)	(81)
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:				
(Increase) decrease in trade receivables	124	(36)	33	(163)
(Increase) decrease in inventories	(29)	(188)	(73)	(372)
Increase (decrease) in trade payables	(158)	27	(290)	179
Pension and other postretirement contributions (in excess of) less than expenses	(10)	(38)	(29)	(81)
Variable compensation payments (in excess of) less than expenses	65	36	49	(132)
Other items, net	113	117	145	174
Net cash provided by operating activities	410	245	408	262
Investing activities				
Additions to properties and equipment	(239)	(135)	(413)	(247)
Proceeds from sale of businesses	—	998	16	998
Acquisition, net of cash acquired	(3)	(1)	(76)	(1)
Additions to capitalized software	(2)	(4)	(4)	(7)
Other items, net	(2)	15	(21)	13
Net cash (used in) provided by investing activities	(246)	873	(498)	756
Financing activities				
Net increase (decrease) in commercial paper and other borrowings	603	(236)	277	—
Proceeds from borrowings	—	500	796	500
Repayment of borrowings	(808)	(550)	(808)	(550)
Dividends paid to stockholders	(94)	(98)	(188)	(196)
Treasury stock purchases	(50)	(752)	(50)	(752)
Proceeds from stock option exercises and other items, net	(4)	(3)	(23)	(12)
Net cash (used in) provided by financing activities	(353)	(1,139)	4	(1,010)
Effect of exchange rate changes on cash and cash equivalents	—	(10)	3	(11)
Net change in cash and cash equivalents	(189)	(31)	(83)	(3)
Cash and cash equivalents at beginning of period	599	487	493	459
Cash and cash equivalents at end of period	\$ 410	\$ 456	\$ 410	\$ 456

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Table 6 – Total Borrowings to Net Debt Reconciliations

(Dollars in millions, unaudited)	June 30, 2023	December 31, 2022
Total borrowings	\$ 5,437	\$ 5,151
Less: Cash and cash equivalents	410	493
Net debt ⁽¹⁾	<u>\$ 5,027</u>	<u>\$ 4,658</u>

⁽¹⁾ Includes non-cash increase of \$12 million in 2023 and non-cash decrease of \$85 million in 2022 resulting from foreign currency exchange rates.