

FINANCIAL INFORMATION**October 29, 2020**

For Eastman Chemical Company Third Quarter 2020 Financial Results Release

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Table 1 – Statements of Earnings

	Third Quarter		First Nine Months	
	2020	2019	2020	2019
(Dollars in millions, except per share amounts; unaudited)				
Sales	\$ 2,122	\$ 2,325	\$ 6,287	\$ 7,068
Cost of sales	1,621	1,751	4,838	5,331
Gross profit	501	574	1,449	1,737
Selling, general and administrative expenses	165	163	480	515
Research and development expenses	56	59	169	174
Asset impairments and restructuring charges, net	60	2	215	52
Other components of post-employment (benefit) cost, net	(30)	(20)	(90)	(62)
Other (income) charges, net	7	3	10	—
Earnings before interest and taxes	243	367	665	1,058
Net interest expense	52	54	159	165
Early debt extinguishment costs	1	—	1	—
Earnings before income taxes	190	313	505	893
Provision for income taxes	25	46	50	158
Net earnings	165	267	455	735
Less: Net earnings attributable to noncontrolling interest	4	1	9	2
Net earnings attributable to Eastman	\$ 161	\$ 266	\$ 446	\$ 733
Basic earnings per share attributable to Eastman	\$ 1.19	\$ 1.95	\$ 3.29	\$ 5.31
Diluted earnings per share attributable to Eastman	\$ 1.18	\$ 1.93	\$ 3.27	\$ 5.27
Shares (in millions) outstanding at end of period	135.5	136.0	135.5	136.0
Shares (in millions) used for earnings per share calculation				
Basic	135.3	136.8	135.5	137.9
Diluted	136.3	137.8	136.4	138.9

Table 2A – Segment Sales Information

	Third Quarter		First Nine Months	
	2020	2019	2020	2019
(Dollars in millions, unaudited)				
Sales by Segment				
Additives & Functional Products	\$ 742	\$ 832	\$ 2,249	\$ 2,510
Advanced Materials	668	697	1,850	2,050
Chemical Intermediates	506	579	1,559	1,865
Fibers	206	217	629	643
Total Eastman Chemical Company	\$ 2,122	\$ 2,325	\$ 6,287	\$ 7,068

Table 2B – Sales Revenue Change

	Third Quarter 2020 Compared to Third Quarter 2019			
	Change in Sales Revenue Due To			
	Revenue % Change	Volume / Product Mix Effect ⁽¹⁾	Price Effect	Exchange Rate Effect
(Unaudited)				
Additives & Functional Products	(11) %	(8) %	(4) %	1 %
Advanced Materials	(4) %	(2) %	(3) %	1 %
Chemical Intermediates	(13) %	(5) %	(8) %	— %
Fibers	(5) %	(3) %	(2) %	— %
Total Eastman Chemical Company	(9) %	(5) %	(5) %	1 %

	First Nine Months 2020 Compared to First Nine Months 2019			
	Change in Sales Revenue Due To			
	Revenue % Change	Volume / Product Mix Effect ⁽¹⁾	Price Effect	Exchange Rate Effect
(Unaudited)				
Additives & Functional Products	(10) %	(6) %	(4) %	— %
Advanced Materials	(10) %	(7) %	(3) %	— %
Chemical Intermediates	(16) %	(7) %	(9) %	— %
Fibers	(2) %	— %	(2) %	— %
Total Eastman Chemical Company	(11) %	(6) %	(5) %	— %

	Third Quarter 2020 Compared to Second Quarter 2020			
	Change in Sales Revenue Due To			
	Revenue % Change	Volume / Product Mix Effect ⁽¹⁾	Price Effect	Exchange Rate Effect
(Unaudited)				
Additives & Functional Products	8 %	8 %	(1) %	1 %
Advanced Materials	18 %	18 %	(1) %	1 %
Chemical Intermediates	10 %	8 %	2 %	— %
Fibers	(3) %	(3) %	— %	— %
Total Eastman Chemical Company	10 %	10 %	(1) %	1 %

⁽¹⁾ Second quarter, third quarter, and first nine months 2020 include \$4 million, \$14 million, and \$18 million, respectively, of licensing revenue in the Chemical Intermediates segment.

Table 2C – Sales by Customer Location

(Dollars in millions, unaudited) Sales by Customer Location	Third Quarter		First Nine Months	
	2020	2019	2020	2019
United States and Canada	\$ 894	\$ 966	\$ 2,660	\$ 2,961
Asia Pacific	547	602	1,565	1,729
Europe, Middle East, and Africa	556	611	1,713	1,949
Latin America	125	146	349	429
Total Eastman Chemical Company	\$ 2,122	\$ 2,325	\$ 6,287	\$ 7,068

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

(Dollars in millions, unaudited)	Third Quarter		First Nine Months	
	2020	2019	2020	2019
Additives & Functional Products				
Earnings before interest and taxes	\$ 107	\$ 144	\$ 194	\$ 437
Asset impairments and restructuring charges, net ⁽²⁾⁽³⁾⁽⁴⁾	2	—	136	4
Excluding non-core item	109	144	330	441
Advanced Materials				
Earnings before interest and taxes	129	159	293	406
Asset impairments and restructuring charges, net ⁽⁵⁾	3	—	10	—
Accelerated depreciation ⁽⁵⁾	7	—	7	—
Excluding non-core items	139	159	310	406
Chemical Intermediates				
Earnings before interest and taxes	31	34	131	170
Asset impairments and restructuring charges, net ⁽³⁾	1	—	4	—
Excluding non-core item	32	34	135	170
Fibers				
Earnings before interest and taxes	41	51	140	144
Other				
Loss before interest and taxes	(65)	(21)	(93)	(99)
Asset impairments and restructuring charges, net ⁽⁶⁾	54	2	65	48
Excluding non-core items	(11)	(19)	(28)	(51)
Total Eastman Chemical Company				
Earnings before interest and taxes	243	367	665	1,058
Asset impairments and restructuring charges, net	60	2	215	52
Accelerated depreciation	7	—	7	—
Total earnings before interest and taxes excluding non-core items	<u>\$ 310</u>	<u>\$ 369</u>	<u>\$ 887</u>	<u>\$ 1,110</u>
Company Non-GAAP Earnings Before Interest and Taxes Reconciliations by Line Items				
Earnings before interest and taxes	\$ 243	\$ 367	\$ 665	\$ 1,058
Costs of sales	7	—	7	—
Asset impairments and restructuring charges, net	60	2	215	52
Total earnings before interest and taxes excluding non-core items	<u>\$ 310</u>	<u>\$ 369</u>	<u>\$ 887</u>	<u>\$ 1,110</u>

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

⁽²⁾ Third quarter and first nine months 2020 charges of \$1 million and \$6 million, respectively, for closure of a tire additives manufacturing facility in Asia Pacific as part of ongoing site optimization actions.

⁽³⁾ Third quarter and first nine months 2020 severance charges in the Chemical Intermediates segment of \$1 million and \$4 million, respectively, and charges in the Additives & Functional Products segment of \$1 million in both periods, for the previously reported plan to discontinue production of certain products at the Singapore manufacturing site by the end of 2020.

⁽⁴⁾ First nine months 2020 charges of \$123 million for impairment of tire additives tradenames, 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.

⁽⁵⁾ Third quarter and first nine months 2020 charges of \$3 million for severance and \$7 million for accelerated depreciation related to the closure of an advanced interlayers manufacturing facility in North America. First nine months 2020 charges of \$7 million for closure of a performance films manufacturing facility in North America. Both actions are part of ongoing site optimization.

⁽⁶⁾ Third quarter and first nine months 2020 charges of \$53 million for severance and related costs as part of business improvement and cost reduction initiatives. Third quarter and first nine months 2020 charges of \$1 million and \$4 million, respectively, for contract termination fees, and first nine months 2020 charges of \$8 million for asset impairments 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⁾**

	Second Quarter 2020
(Dollars in millions, unaudited)	
Additives & Functional Products	
Loss before interest and taxes	\$ (56)
Asset impairments and restructuring charges, net	128
Excluding non-core item	72
Advanced Materials	
Earnings before interest and taxes	64
Chemical Intermediates	
Earnings before interest and taxes	20
Asset impairments and restructuring charges, net	2
Excluding non-core item	22
Fibers	
Earnings before interest and taxes	46
Other	
Loss before interest and taxes	(20)
Asset impairments and restructuring charges, net	11
Excluding non-core items	(9)
Total Eastman Chemical Company	
Earnings before interest and taxes	54
Asset impairments and restructuring charges, net	141
Total earnings before interest and taxes excluding non-core items	<u>\$ 195</u>
Company Non-GAAP Earnings Before Interest and Taxes Reconciliations by Line Items	
Earnings before interest and taxes	\$ 54
Asset impairments and restructuring charges, net	141
Total earnings before interest and taxes excluding non-core items	<u>\$ 195</u>

⁽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 2020 for descriptions of second quarter 2020 non-core items.

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

(Dollars in millions, unaudited)	Third Quarter				First Nine 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	\$ 109	14.7 %	\$ 144	17.3 %	\$ 330	14.7 %	\$ 441	17.6 %
Advanced Materials	139	20.8 %	159	22.8 %	310	16.8 %	406	19.8 %
Chemical Intermediates	32	6.3 %	34	5.9 %	135	8.7 %	170	9.1 %
Fibers	41	19.9 %	51	23.5 %	140	22.3 %	144	22.4 %
Total segment EBIT excluding non-core items	321	15.1 %	388	16.7 %	915	14.6 %	1,161	16.4 %
Other	(11)		(19)		(28)		(51)	
Total EBIT excluding non-core items	<u>\$ 310</u>	14.6 %	<u>\$ 369</u>	15.9 %	<u>\$ 887</u>	14.1 %	<u>\$ 1,110</u>	15.7 %

(Dollars in millions, unaudited)	Second Quarter	
	2020	
	Adjusted EBIT	Adjusted EBIT Margin
Additives & Functional Products	\$ 72	10.5 %
Advanced Materials	64	11.3 %
Chemical Intermediates	22	4.8 %
Fibers	46	21.8 %
Total segment EBIT excluding non-core items	204	10.6 %
Other	(9)	
Total EBIT excluding non-core items	<u>\$ 195</u>	10.1 %

⁽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. For second 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 second quarter 2020.

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

Third Quarter 2020						
(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)	\$ 243	\$ 190	\$ 25	13 %	\$ 161	\$ 1.18
Non-Core Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	60	60	15		45	0.33
Accelerated depreciation	7	7	2		5	0.04
Early debt extinguishment costs ⁽²⁾	—	1	—		1	—
Interim adjustment to tax provision ⁽³⁾	—	—	(2)		2	0.02
Non-GAAP (Excluding non-core items and with adjusted provision for income taxes)	\$ 310	\$ 258	\$ 40	16 %	\$ 214	\$ 1.57

Third Quarter 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)	\$ 367	\$ 313	\$ 46	15 %	\$ 266	\$ 1.93
Non-Core Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	2	2	1		1	0.01
Non-GAAP (Excluding non-core items and with adjusted provision for income taxes)	\$ 369	\$ 315	\$ 47	15 %	\$ 267	\$ 1.94

⁽¹⁾ See [Table 3A](#) for description of third quarter 2020 and 2019 non-core items excluded from non-GAAP EBIT. Provision for income taxes for non-core items is calculated using the tax rate for the jurisdiction where the gains are taxable and the expenses are deductible.

⁽²⁾ Unamortized costs recognized due to early repayment of term loan credit agreement debt.

⁽³⁾ The adjusted provision for income taxes for third quarter 2020 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 Nine 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)	\$ 665	\$ 505	\$ 50	10 %	\$ 446	\$ 3.27
Non-Core Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	215	215	51		164	1.20
Accelerated depreciation	7	7	2		5	0.04
Early debt extinguishment costs ⁽²⁾	—	1	—		1	—
Interim adjustment to tax provision ⁽³⁾	—	—	9		(9)	(0.06)
Non-GAAP (Excluding non-core items and with adjusted provision for income taxes)	<u>\$ 887</u>	<u>\$ 728</u>	<u>\$ 112</u>	16 %	<u>\$ 607</u>	<u>\$ 4.45</u>

	First Nine 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)	\$ 1,058	\$ 893	\$ 158	18 %	\$ 733	\$ 5.27
Non-Core or Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	52	52	13		39	0.29
Adjustments from tax law changes and outside-U.S. entity reorganizations	—	—	(7)		7	0.05
Interim adjustment to tax provision ⁽³⁾	—	—	(13)		13	0.09
Non-GAAP (Excluding non-core and unusual items and with adjusted provision for income taxes)	<u>\$ 1,110</u>	<u>\$ 945</u>	<u>\$ 151</u>	16 %	<u>\$ 792</u>	<u>\$ 5.70</u>

⁽¹⁾ See [Table 3A](#) for description of first nine months 2020 and 2019 non-core 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⁾ Unamortized costs recognized due to early repayment of term loan credit agreement debt.

⁽³⁾ The adjusted provision for income taxes for first nine months 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)**

	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>

⁽¹⁾ See [Table 3A](#) for description of second 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 second quarter 2020 was calculated applying the then current forecasted full year effective tax rate.

Table 4B - Adjusted Effective Tax Rate Calculation

	First Nine Months ⁽¹⁾	
	2020	2019
Effective tax rate	10 %	18 %
Tax impact of current year non-core and unusual items ⁽²⁾	7 %	1 %
Changes in tax contingencies and valuation allowances	1 %	— %
Forecasted full year impact of expected tax events	(2)%	(3)%
Forecasted full year adjusted effective tax rate	<u>16 %</u>	<u>16 %</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 16.0 percent for first nine months 2020 and 2019, respectively.

⁽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.

Table 5A – Statements of Cash Flows

	Third Quarter		First Nine Months	
	2020	2019	2020	2019
(Dollars in millions, unaudited)				
Operating activities				
Net earnings	\$ 165	\$ 267	\$ 455	\$ 735
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	149	151	429	462
Asset impairment charges	—	—	145	—
Early debt extinguishment costs	1	—	1	—
Provision for (benefit from) deferred income taxes	6	2	(14)	13
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:				
(Increase) decrease in trade receivables	(163)	30	(90)	(50)
(Increase) decrease in inventories	95	26	316	(122)
Increase (decrease) in trade payables	130	(95)	(213)	(183)
Pension and other postretirement contributions (in excess of) less than expenses	(25)	(32)	(108)	(97)
Variable compensation (in excess of) less than expenses	55	30	25	(15)
Other items, net	29	37	103	90
Net cash provided by operating activities	442	416	1,049	833
Investing activities				
Additions to properties and equipment	(82)	(110)	(278)	(308)
Acquisitions, net of cash acquired	—	(29)	—	(48)
Other items, net	1	(2)	(4)	(4)
Net cash used in investing activities	(81)	(141)	(282)	(360)
Financing activities				
Net increase (decrease) in commercial paper and other borrowings	(83)	(90)	14	149
Proceeds from borrowings	—	110	249	335
Repayment of borrowings	(250)	(110)	(250)	(385)
Dividends paid to stockholders	(90)	(85)	(269)	(258)
Treasury stock purchases	—	(75)	(60)	(325)
Other items, net	7	—	(6)	(3)
Net cash used in financing activities	(416)	(250)	(322)	(487)
Effect of exchange rate changes on cash and cash equivalents	1	(4)	1	(5)
Net change in cash and cash equivalents	(54)	21	446	(19)
Cash and cash equivalents at beginning of period	704	186	204	226
Cash and cash equivalents at end of period	\$ 650	\$ 207	\$ 650	\$ 207

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

	Third Quarter		First Nine Months	
	2020	2019	2020	2019
(Dollars in millions, unaudited)				
Net cash provided by operating activities	\$ 442	\$ 416	\$ 1,049	\$ 833
Capital expenditures	(82)	(110)	(278)	(308)
Free cash flow	\$ 360	\$ 306	\$ 771	\$ 525

Table 6 – Total Borrowings to Net Debt Reconciliations

(Dollars in millions, unaudited)	September 30, 2020	December 31, 2019
Total borrowings	\$ 5,865	\$ 5,782
Less: Cash and cash equivalents	650	204
Net debt	<u>\$ 5,215</u>	<u>\$ 5,578</u>