

FINANCIAL INFORMATION**January 27, 2022**

For Eastman Chemical Company Fourth Quarter and Full Year 2021 Financial Results Release

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Table 1 – Statements of Earnings

	Fourth Quarter		Twelve Months	
	2021	2020	2021	2020
(Dollars in millions, except per share amounts; unaudited)				
Sales	\$ 2,694	\$ 2,186	\$ 10,476	\$ 8,473
Cost of sales	2,135	1,660	7,976	6,498
Gross profit	559	526	2,500	1,975
Selling, general and administrative expenses	208	174	795	654
Research and development expenses	67	57	254	226
Asset impairments and restructuring charges, net	18	12	47	227
Other components of post-employment (benefit) cost, net	(303)	209	(412)	119
Other (income) charges, net	(6)	(2)	(17)	8
Loss on divested business ⁽¹⁾	(3)	—	552	—
Earnings before interest and taxes	578	76	1,281	741
Net interest expense	48	51	198	210
Early debt extinguishment costs	1	—	1	1
Earnings before income taxes	529	25	1,082	530
Provision for income taxes	149	(9)	215	41
Net earnings	380	34	867	489
Less: Net earnings attributable to noncontrolling interest	2	2	10	11
Net earnings attributable to Eastman	\$ 378	\$ 32	\$ 857	\$ 478
Basic earnings per share attributable to Eastman	\$ 2.85	\$ 0.23	\$ 6.35	\$ 3.53
Diluted earnings per share attributable to Eastman	\$ 2.81	\$ 0.23	\$ 6.25	\$ 3.50
Shares (in millions) outstanding at end of period	129.0	135.9	129.0	135.9
Shares (in millions) used for earnings per share calculation				
Basic	132.5	135.6	134.9	135.5
Diluted	134.6	137.0	137.1	136.5

⁽¹⁾ Sale of rubber additives (including Crystex™ insoluble sulfur and Santoflex™ antidegradants) and other product lines and related assets and technology of the global tire additives business of the Additives & Functional Products ("AFP") segment. See "Management's Discussion and Analysis of Financial Condition" and "Overview" of the [Quarterly Report on Form 10-Q](#) for third quarter 2021. The sale was completed in fourth quarter 2021.

Table 2A – Segment Sales Information

	Fourth Quarter		Twelve Months	
	2021	2020	2021	2020
(Dollars in millions, unaudited)				
Sales by Segment				
Additives & Functional Products	\$ 907	\$ 773	\$ 3,700	\$ 3,022
Advanced Materials	772	674	3,027	2,524
Chemical Intermediates	777	531	2,849	2,090
Fibers	238	208	900	837
Total Eastman Chemical Company	\$ 2,694	\$ 2,186	\$ 10,476	\$ 8,473

Table 2B – Sales Revenue Change

	Fourth Quarter 2021 Compared to Fourth Quarter 2020			
	Change in Sales Revenue Due To			Exchange Rate Effect
	Revenue % Change	Volume / Product Mix Effect	Price Effect	
Additives & Functional Products	17 %	— %	18 %	(1) %
Advanced Materials	15 %	8 %	7 %	— %
Chemical Intermediates	46 %	— %	47 %	(1) %
Fibers	14 %	13 %	1 %	— %
Total Eastman Chemical Company	23 %	4 %	20 %	(1) %

	Twelve Months 2021 Compared to Twelve Months 2020			
	Change in Sales Revenue Due To			Exchange Rate Effect
	Revenue % Change	Volume / Product Mix Effect	Price Effect	
Additives & Functional Products	22 %	9 %	12 %	1 %
Advanced Materials	20 %	16 %	2 %	2 %
Chemical Intermediates	36 %	(3) %	38 %	1 %
Fibers	8 %	7 %	— %	1 %
Total Eastman Chemical Company	24 %	8 %	15 %	1 %

Table 2C – Sales by Customer Location

	Fourth Quarter		Twelve Months	
	2021	2020	2021	2020
(Dollars in millions, unaudited)				
Sales by Customer Location				
United States and Canada	\$ 1,180	\$ 919	\$ 4,578	\$ 3,579
Europe, Middle East, and Africa	693	586	2,735	2,299
Asia Pacific	672	546	2,549	2,111
Latin America	149	135	614	484
Total Eastman Chemical Company	\$ 2,694	\$ 2,186	\$ 10,476	\$ 8,473

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

	Fourth Quarter		Twelve Months	
	2021	2020	2021	2020
(Dollars in millions, unaudited)				
Additives & Functional Products				
Earnings (loss) before interest and taxes	\$ 88	\$ 118	\$ (54)	\$ 312
Asset impairments and restructuring charges, net ⁽²⁾⁽³⁾⁽⁴⁾	12	—	21	136
Loss on divested business and transaction costs ⁽⁵⁾	7	—	570	—
Excluding non-core items	107	118	537	448
Advanced Materials				
Earnings before interest and taxes	98	134	519	427
Asset impairments and restructuring charges, net ⁽⁶⁾	2	3	9	13
Accelerated depreciation ⁽⁶⁾	—	1	4	8
Excluding non-core items	100	138	532	448
Chemical Intermediates				
Earnings before interest and taxes	109	35	445	166
Asset impairments and restructuring charges, net ⁽⁴⁾	3	1	16	5
Excluding non-core item	112	36	461	171
Fibers				
Earnings before interest and taxes	28	40	142	180
Other				
Earnings (loss) before interest and taxes	255	(251)	229	(344)
Mark-to-market pension and other postretirement benefit plans loss (gain), net	(267)	240	(267)	240
Asset impairments and restructuring charges, net ⁽⁷⁾	1	8	1	73
Excluding non-core items	(11)	(3)	(37)	(31)
Total Eastman Chemical Company				
Earnings before interest and taxes	578	76	1,281	741
Mark-to-market pension and other postretirement benefit plans loss (gain), net	(267)	240	(267)	240
Asset impairments and restructuring charges, net	18	12	47	227
Loss on divested business and transaction costs	7	—	570	—
Accelerated depreciation	—	1	4	8
Total earnings before interest and taxes excluding non-core items	<u>\$ 336</u>	<u>\$ 329</u>	<u>\$ 1,635</u>	<u>\$ 1,216</u>
Company Non-GAAP Earnings Before Interest and Taxes Reconciliations by Line Items				
Earnings before interest and taxes	\$ 578	\$ 76	\$ 1,281	\$ 741
Costs of sales	—	1	4	8
Selling, general and administrative expenses	10	—	18	—
Asset impairments and restructuring charges, net	18	12	47	227
Other components of post-employment (benefit) cost, net	(267)	240	(267)	240
Loss on divested business	(3)	—	552	—
Total earnings before interest and taxes excluding non-core items	<u>\$ 336</u>	<u>\$ 329</u>	<u>\$ 1,635</u>	<u>\$ 1,216</u>

- (1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the [Annual Report on Form 10-K](#) for 2020 for description of the 2020 non-core items.
- (2) Fourth quarter and full year 2021 fixed asset impairment charges of \$8 million for assets associated with the previously divested global tire additives business and full year 2021 fixed asset impairment charges of \$4 million from the previously reported closure of a tire additives manufacturing facility in Asia Pacific as part of ongoing site optimization. Additional charges for the Asia Pacific closure included site closure costs of \$3 million and \$6 million in fourth quarter and full year 2021, respectively.
- (3) Full year 2021 gain on the sale of previously impaired assets of \$1 million from the previously reported closure of an animal nutrition manufacturing facility in Asia Pacific as part of ongoing site optimization.
- (4) Fourth quarter and full year 2021 asset impairments of \$2 million and \$1 million in the Chemical Intermediates ("CI") and AFP segments, respectively. Fourth quarter 2021 site closure costs of \$1 million in the CI segment, and full year 2021 site closure costs, including contract termination fees, of \$14 million and \$3 million in the CI and AFP segments, respectively.
- (5) See [Table 1](#) note (1).
- (6) Fourth quarter and full year 2021 site closure costs of \$2 million and \$5 million, respectively, and full year 2021 asset impairment charges of \$1 million, severance charges of \$1 million, and accelerated depreciation related to the previously reported closure of an advanced interlayers manufacturing facility in North America. Both closures were part of ongoing site optimization. Full year 2021 site closure costs of \$2 million from the previously reported closure of a performance films manufacturing facility in North America.
- (7) Severance and related costs as part of business improvement and cost reduction initiatives.

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

	Fourth Quarter				Twelve Months			
	2021		2020		2021		2020	
	Adjusted EBIT	Adjusted EBIT Margin	Adjusted EBIT	Adjusted EBIT Margin	Adjusted EBIT	Adjusted EBIT Margin	Adjusted EBIT	Adjusted EBIT Margin
Additives & Functional Products	\$ 107	11.8 %	\$ 118	15.3 %	\$ 537	14.5 %	\$ 448	14.8 %
Advanced Materials	100	13.0 %	138	20.5 %	532	17.6 %	448	17.7 %
Chemical Intermediates	112	14.4 %	36	6.8 %	461	16.2 %	171	8.2 %
Fibers	28	11.8 %	40	19.2 %	142	15.8 %	180	21.5 %
Total segment EBIT excluding non-core items	347	12.9 %	332	15.2 %	1,672	16.0 %	1,247	14.7 %
Other	(11)		(3)		(37)		(31)	
Total EBIT excluding non-core items	\$ 336	12.5 %	\$ 329	15.1 %	\$ 1,635	15.6 %	\$ 1,216	14.4 %

(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.

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

Fourth Quarter 2021						
(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)	\$ 578	\$ 529	\$ 149	28 %	\$ 378	\$ 2.81
Non-Core Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	18	18	2		16	0.12
Loss on divested business and transaction costs ⁽²⁾	7	7	(14)		21	0.16
Mark-to-market pension and other postretirement benefit plans (gain), net	(267)	(267)	(65)		(202)	(1.49)
Early debt extinguishment costs	—	1	—		1	0.01
Interim adjustment to tax provision ⁽³⁾	—	—	(29)		29	0.20
Non-GAAP (Excluding non-core items and with adjusted provision for income taxes)	<u>\$ 336</u>	<u>\$ 288</u>	<u>\$ 43</u>	15 %	<u>\$ 243</u>	<u>\$ 1.81</u>
Fourth 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)	\$ 76	\$ 25	\$ (9)	(42)%	\$ 32	\$ 0.23
Non-Core Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	12	12	2		10	0.07
Accelerated depreciation	1	1	—		1	0.01
Mark-to-market pension and other postretirement benefit plans loss, net	240	240	60		180	1.32
Interim adjustment to tax provision ⁽³⁾	—	—	(9)		9	0.06
Non-GAAP (Excluding non-core items and with adjusted provision for income taxes)	<u>\$ 329</u>	<u>\$ 278</u>	<u>\$ 44</u>	16 %	<u>\$ 232</u>	<u>\$ 1.69</u>

⁽¹⁾ See [Table 3A](#) for description of fourth quarter 2021 and 2020 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⁾ See [Table 1](#) note (1).

⁽³⁾ Fourth quarter 2021 and 2020 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 (Loss) Before Interest and Taxes, Net Earnings, and Earnings Per Share Reconciliations (continued)

	Twelve Months 2021					
	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)	\$ 1,281	\$ 1,082	\$ 215	20 %	\$ 857	\$ 6.25
Non-Core or Unusual Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	47	47	8		39	0.28
Loss on divested business and transaction costs ⁽²⁾	570	570	40		530	3.86
Accelerated depreciation	4	4	1		3	0.02
Mark-to-market pension and other postretirement benefit plans (gain), net	(267)	(267)	(65)		(202)	(1.46)
Early debt extinguishment costs ⁽³⁾	—	1	—		1	0.01
Adjustments from tax law changes	—	—	15		(15)	(0.11)
Non-GAAP (Excluding non-core and unusual items)	<u>\$ 1,635</u>	<u>\$ 1,437</u>	<u>\$ 214</u>	15 %	<u>\$ 1,213</u>	<u>\$ 8.85</u>
	Twelve 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)	\$ 741	\$ 530	\$ 41	8 %	\$ 478	\$ 3.50
Non-Core Items: ⁽¹⁾						
Asset impairments and restructuring charges, net	227	227	53		174	1.28
Accelerated depreciation	8	8	2		6	0.05
Mark-to-market pension and other postretirement benefit plans loss, net	240	240	60		180	1.32
Early debt extinguishment costs ⁽³⁾	—	1	—		1	—
Non-GAAP (Excluding non-core items)	<u>\$ 1,216</u>	<u>\$ 1,006</u>	<u>\$ 156</u>	16 %	<u>\$ 839</u>	<u>\$ 6.15</u>

⁽¹⁾ See [Table 3A](#) for description of twelve months 2021 and 2020 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⁾ See [Table 1](#) note (1).

⁽³⁾ Unamortized costs recognized due to amendment of the Credit Facility in 2021 and early repayment of term loan credit agreement debt in 2020.

Table 5A – Statements of Cash Flows

	Fourth Quarter		Twelve Months	
	2021	2020	2021	2020
(Dollars in millions, unaudited)				
Operating activities				
Net earnings (loss)	\$ 380	\$ 34	\$ 867	\$ 489
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	122	145	538	574
Mark-to-market pension and other postretirement benefit plans loss, net	(267)	240	(267)	240
Asset impairment charges	11	1	16	146
Early debt extinguishment costs	1	—	1	1
Loss on divested business	(3)	—	552	—
Provision for (benefit from) deferred income taxes	28	(114)	(38)	(111)
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:				
(Increase) decrease in trade receivables	158	59	(281)	(31)
(Increase) decrease in inventories	(20)	(25)	(389)	291
Increase (decrease) in trade payables	177	113	554	(100)
Pension and other postretirement contributions (in excess of) less than expenses	(43)	(28)	(185)	(136)
Variable compensation payments (in excess of) less than expenses	72	62	162	87
Other items, net	(186)	(81)	89	5
Net cash provided by operating activities	430	406	1,619	1,455
Investing activities				
Additions to properties and equipment	(240)	(105)	(555)	(383)
Proceeds from sale of business	667	—	667	—
Acquisitions, net of cash acquired	(3)	(1)	(114)	(1)
Additions to capitalized software	(5)	(6)	(23)	(13)
Other items, net	(1)	—	(4)	3
Net cash provided by (used in) investing activities	418	(112)	(29)	(394)
Financing activities				
Net increase (decrease) in commercial paper and other borrowings	—	(135)	(50)	(121)
Proceeds from borrowings	—	—	—	249
Repayment of borrowings	(300)	(185)	(300)	(435)
Dividends paid to stockholders	(93)	(89)	(375)	(358)
Treasury stock purchases	(710)	—	(1,000)	(60)
Proceeds from stock option exercises and other items, net	(3)	27	35	21
Net cash used in financing activities	(1,106)	(382)	(1,690)	(704)
Effect of exchange rate changes on cash and cash equivalents	—	2	(5)	3
Net change in cash and cash equivalents	(258)	(86)	(105)	360
Cash and cash equivalents at beginning of period	717	650	564	204
Cash and cash equivalents at end of period	<u>\$ 459</u>	<u>\$ 564</u>	<u>\$ 459</u>	<u>\$ 564</u>

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

(Dollars in millions, unaudited)	Fourth Quarter		Twelve Months	
	2021	2020	2021	2020
Net cash provided by operating activities	\$ 430	\$ 406	\$ 1,619	\$ 1,455
Capital expenditures	(240)	(105)	(555)	(383)
Free cash flow	<u>\$ 190</u>	<u>\$ 301</u>	<u>\$ 1,064</u>	<u>\$ 1,072</u>

Table 6 – Total Borrowings to Net Debt Reconciliations

(Dollars in millions, unaudited)	December 31,	December 31,
	2021	2020
Total borrowings	\$ 5,159	\$ 5,618
Less: Cash and cash equivalents	459	564
Net debt ⁽¹⁾	<u>\$ 4,700</u>	<u>\$ 5,054</u>

⁽¹⁾ Includes a non-cash decrease of \$113 million in 2021 and a non-cash increase of \$132 million in 2020 resulting from foreign currency exchange rates.