



Figure 12: Eastman Quarterly Income Statement 2013-2014E (\$ in millions, except per-share data)

|  | 2013    |         |         |         |         | 2014E   |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|  | Q1      | Q2      | Q3      | Q4      | YEAR    | Q1A     | Q2A     | Q3      | Q4      | YEAR    |
| <b>Sales</b>   | 2,307   | 2,440   | 2,338   | 2,265   | 9,350   | 2,305   | 2,460   | 2,421   | 2,347   | 9,533   |
| % Change   | 27%     | 32%     | 3%      | 4%      | 15%     | (0%)    | 1%      | 4%      | 4%      | 2%      |
| <b>Cost of Sales</b>                                       | (1,691) | (1,763) | (1,717) | (1,768) | (6,939) | (1,710) | (1,791) | (1,781) | (1,787) | (7,068) |
| <b>Gross Profit</b>  | 616     | 677     | 621     | 497     | 2,411   | 595     | 669     | 641     | 561     | 2,465   |
| Gross Margin   | 26.7%   | 27.7%   | 26.6%   | 21.9%   | 25.8%   | 25.8%   | 27.2%   | 26.5%   | 23.9%   | 25.9%   |
| % Change   | 43%     | 41%     | 3%      | (19%)   | 14%     | (3%)    | (1%)    | 3%      | 13%     | 2%      |
| <b>Selling &amp; Administrative</b>                        | (164)   | (172)   | (165)   | (123)   | (624)   | (159)   | (172)   | (166)   | (128)   | (625)   |
| SG&A/Sales   | 7.1%    | 7.0%    | 7.1%    | 5.4%    | 6.7%    | 6.9%    | 7.0%    | 6.9%    | 5.5%    | 6.6%    |
| % Change   | 40%     | 50%     | 9%      | (45%)   | 3%      | (3%)    | 0%      | 1%      | 4%      | 0%      |
| <b>Research &amp; Development</b>                          | (49)    | (51)    | (51)    | (45)    | (196)   | (53)    | (56)    | (54)    | (48)    | (210)   |
| R&D/Sales  | 2.1%    | 2.1%    | 2.2%    | 2.0%    | 2.1%    | 2.3%    | 2.3%    | 2.2%    | 2.0%    | 2.2%    |
| % Change   | 20%     | 19%     | (2%)    | (27%)   | (1%)    | 8%      | 10%     | 5%      | 6%      | 7%      |
| (S&A+R&D)/Sales  | 9.2%    | 9.1%    | 9.2%    | 7.4%    | 8.8%    | 9.2%    | 9.3%    | 9.1%    | 7.5%    | 8.8%    |
| <b>Operating Profit</b>                                    | 403     | 454     | 405     | 329     | 1,591   | 383     | 441     | 421     | 385     | 1,630   |
| Operating Margin   | 17.5%   | 18.6%   | 17.3%   | 14.5%   | 17.0%   | 16.6%   | 17.9%   | 17.4%   | 16.4%   | 17.1%   |
| % Change   | 48%     | 41%     | 2%      | 1%      | 21%     | (5%)    | (3%)    | 4%      | 17%     | 2%      |
| <b>EBITDA</b>  | 512     | 562     | 512     | 435     | 2,021   | 493     | 559     | 532     | 496     | 2,086   |
| Operating Margin   | 22.2%   | 23.0%   | 21.9%   | 19.2%   | 21.6%   | 21.4%   | 22.7%   | 22.0%   | 21.1%   | 21.9%   |
| % Change   | 48%     | 44%     | 0%      | (1%)    | 20%     | (4%)    | (1%)    | 4%      | 14%     | 3%      |
| <b>Interest Expense</b>                                    | (47)    | (46)    | (44)    | (43)    | (180)   | (42)    | (45)    | (47)    | (47)    | (181)   |
| % Change   | 147%    | 142%    | (8%)    | (10%)   | 34%     | (11%)   | (2%)    | 7%      | 9%      | 1%      |
| <b>Other Income (Expense)</b>                              | (1)     | 0       | (1)     | (1)     | (3)     | 3       | 8       | 0       | 0       | 11      |
| <b>Pretax Income</b>                                       | 355     | 408     | 360     | 285     | 1,408   | 344     | 404     | 374     | 338     | 1,460   |
| Pretax Margin  | 15.4%   | 16.7%   | 15.4%   | 12.6%   | 15.1%   | 14.9%   | 16.4%   | 15.4%   | 14.4%   | 15.3%   |
| % Change   | 38%     | 36%     | 2%      | 0%      | 18%     | (3%)    | (1%)    | 4%      | 19%     | 4%      |
| <b>Taxes</b>   | (101)   | (124)   | (96)    | (72)    | (393)   | (96)    | (112)   | (105)   | (95)    | (407)   |
| Tax Rate   | 28.5%   | 30.4%   | 26.7%   | 25.3%   | 27.9%   | 27.9%   | 27.7%   | 28.0%   | 28.0%   | 27.9%   |
| <b>Net Income Attributable to Noncontrolling Interests</b> | (1)     | (2)     | (1)     | (3)     | (7)     | (1)     | (2)     | (1)     | (3)     | (7)     |
| <b>Net Income</b>  | 253     | 282     | 263     | 210     | 1,008   | 247     | 290     | 268     | 240     | 1,046   |
| Net Margin   | 11.0%   | 11.6%   | 11.2%   | 9.3%    | 10.8%   | 10.7%   | 11.8%   | 11.1%   | 10.2%   | 11.0%   |
| % Change   | 47%     | 43%     | 7%      | 12%     | 26%     | (2%)    | 3%      | 2%      | 14%     | 4%      |
| <b>Basic Shares Outstanding</b>                            | 154.4   | 154.4   | 154.0   | 153.2   | 154.0   | 151.4   | 149.5   | 148.7   | 148.2   | 149.4   |
| % Change   | 12%     | 12%     | 1%      | (0%)    | 6%      | (2%)    | (3%)    | (3%)    | (3%)    | (3%)    |
| <b>Diluted Shares Outstanding</b>                          | 156.7   | 156.7   | 156.4   | 155.6   | 156.5   | 153.0   | 151.3   | 151.1   | 150.6   | 151.5   |
| % Change   | 11%     | 11%     | 0%      | (1%)    | 5%      | (2%)    | (3%)    | (3%)    | (3%)    | (3%)    |
| <b>Basic EPS</b>   | \$1.64  | \$1.83  | \$1.71  | \$1.37  | \$6.55  | \$1.63  | \$1.94  | \$1.80  | \$1.62  | \$7.00  |
| % Change   | 31%     | 28%     | 6%      | 13%     | 19%     | (0%)    | 6%      | 6%      | 18%     | 7%      |
| <b>Diluted EPS</b>   | \$1.61  | \$1.80  | \$1.68  | \$1.35  | \$6.44  | \$1.61  | \$1.92  | \$1.78  | \$1.60  | \$6.90  |
| % Change   | 32%     | 29%     | 7%      | 13%     | 20%     | (0%)    | 7%      | 6%      | 18%     | 7%      |

Source: Deutsche Bank estimates, Eastman