



Figure 1: Eastman Q2 2014 Results (\$ in millions)

Segment	Q2'14	Q2'13	% change	Comment
Sales	\$2,460	\$2,440	1%	Vols: flat, Price: flat, FX: +1%. Marginal sales growth as higher demand in Additives & functional, Adhesives & plasticizers and Fibers offset by lower demand in Specialty fluids & intermediates. Acquired BP's aviation turbine oil business for \$283MM. <i>Outlook: FY'14 Expects sales to grow at global GDP growth rate in H2'14.</i>
Additives & Functional Products	\$452	\$430	5%	Vols: +4%, Price: flat, FX: +1%. Upside driven by higher demands for coating product lines partially offset by continues destocking in China (primarily for commercial tires). <i>Outlook: Expects vols to be better in H2'14.</i>
Adhesives & Plasticizers	\$358	\$339	6%	Vols: +9%, Price: -4%, FX: +1%. Upside led by higher sales vols for adhesives resins and plasticizers more than offsetting lower selling prices due to cont'd competitive pressure as increased supply of adhesive resins and weak plasticizers demand in APac and Europe regions.
Advanced Materials	\$631	\$625	1%	Vols: flat, Price: flat, FX: +1%. Lower sales growth as higher vols for premium products like interlayers with acoustic properties and Eastman Tritan™ copolyester offset by weak demand for Flexvue coated films. <i>Outlook: Expects sales growth to be in the range of 4%-5% in H2'14 on higher demand for premium products.</i>
Fibers	\$386	\$363	6%	Vols: +2%, Price: +4%, FX: flat. Higher growth driven by improved selling prices and sales of acetate flake to EMN's China acetate tow joint venture more than offsetting by lower vols of acetate tow due to additional industry capacity. <i>Outlook: Expects lower sales vols in H2'14</i>
Specialty Fluids & Intermediates	\$633	\$677	(6%)	Vols: -8%, Price: +2%, FX: flat. Downside due to the unplanned shutdown of the plant (due to power disruption) and lower sales vols for intermediates product line partially offset by improved vols of acetyl-based products.
Operating profit	\$441	\$454	(3%)	Downside primarily due to higher raw material costs, outage costs alongside competitive pressure in core products partially offset by better product mix.
Additives & Functional Products	\$103	\$105	(2%)	Weakness due to higher raw mat. & energy costs (esp propane) partially offset by higher vols. <i>Outlook: FY'14 EBIT: ~\$410-\$430MM.</i>
Adhesives & Plasticizers	\$56	\$50	12%	Higher earnings due to improved vols, better productivity and lower operating costs partially offset by lower prices. <i>Outlook: FY'14 EBIT: Expects to be more than \$175MM.</i>
Advanced Materials	\$80	\$81	(1%)	Relatively flat as lower raw material & energy costs offset by costs of the unplanned shutdown. <i>Outlook: FY'14 EBIT: ~\$280-\$300MM</i>
Fibers	\$123	\$116	6%	Upside led by higher prices coupled with increased sales of acetate flake to JV and lower raw material costs more than offsetting lower tow acetate vols and higher operating costs. <i>Outlook: FY'14 EBIT: ~\$480MM</i>
Specialty Fluids & Intermediates	\$96	\$118	(19%)	Downside due to lower vols, higher raw material. & energy costs (esp propane) alongside costs of the unplanned shutdown at the Kingsport site. <i>Outlook: FY'14 EBIT: ~\$300-\$320MM</i>
Operating margin	17.9%	18.6%	-70bps	
Additives & Functional Products	22.8%	24.4%	-160bps	
Adhesives & Plasticizers	15.6%	14.7%	+90bps	
Advanced Materials	12.7%	13.0%	-30bps	
Fibers	31.9%	32.0%	-10bps	
Specialty Fluids & Intermediates	15.2%	17.4%	-230bps	
Interest Expense	(\$45)	(\$46)	(2%)	
Other Income/Expense	\$8	\$0		
Pretax profits	\$404	\$408	(1%)	
Taxes	(\$112)	(\$124)	-	
Tax rate	28%	30%	-	<i>Outlook: FY'14: ~28.0%</i>
Non-controlling int	(\$2)	(\$2)	0%	
Earnings from ops	\$290	\$282	3%	
One time items	\$0	(\$18)		