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1920 - 2020



Fourth Quarter & Full-Year 2019 Financial Results

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January 31, 2020

Forward-looking statements

During this presentation, we make certain forward-looking statements concerning plans and expectations for Eastman Chemical Company. We caution you that actual events or results may differ materially from our plans and expectations. See these slides and the remarks in the conference call and webcast, the fourth quarter and full year 2019 financial results 8-K and news release, and our Form 10-K for 2018 and Form 10-Q filed for third quarter 2019 and the Form 10-K to be filed for full-year 2019 for risks and uncertainties which could cause actual results to differ materially from current plans and expectations.

GAAP and Non-GAAP financial measures

Earnings referenced in this presentation exclude certain non-core and unusual items. In addition, fourth quarter and full-year 2019 and fourth quarter and full-year 2018 earnings per share are calculated with an adjusted tax rate that excludes the provision for income taxes for non-core and unusual items. “Free Cash Flow” is cash provided by operating activities minus net capital expenditures (typically cash used for additions to properties and equipment). Reconciliations to the most directly comparable GAAP financial measures and other associated disclosures, including a description of the excluded and adjusted items, are available in our fourth quarter 2019 financial results news release available in the “Investors” section of our website and in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of the Forms 10-K and 10-Q filed with the SEC for the periods for which non-GAAP financial measures are presented. Projections of future earnings exclude any non-core, unusual, or non-recurring items.

Full-year 2019 highlights



Celebrating Eastman's 100th Year



Solid earnings growth in Advanced Materials, demonstrating resilience of our specialty products



\$1.08 billion in free cash flow



New Business Revenue from Innovation approximately \$400 million



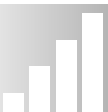
Accelerated cost management offset inflation and improved results



Completed two bolt-on acquisitions, Marlotherm and INACSA



Returned \$668 million to stockholders and repaid \$370 million of debt



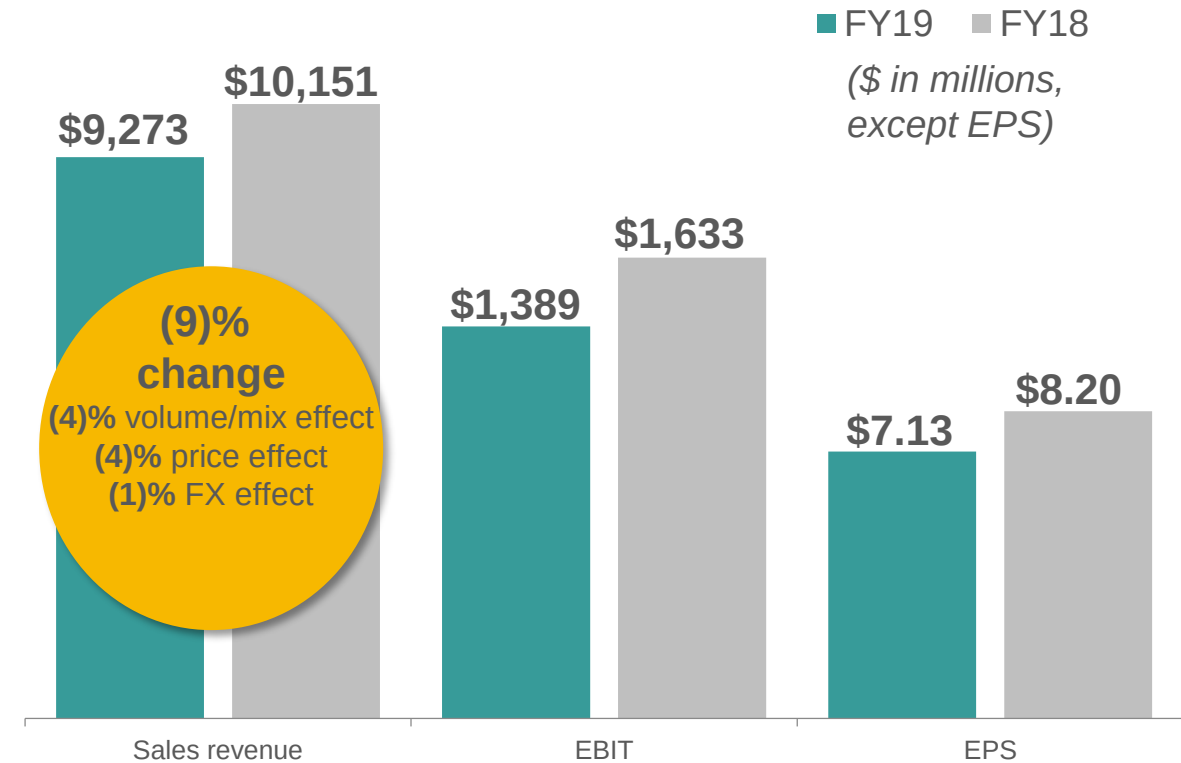
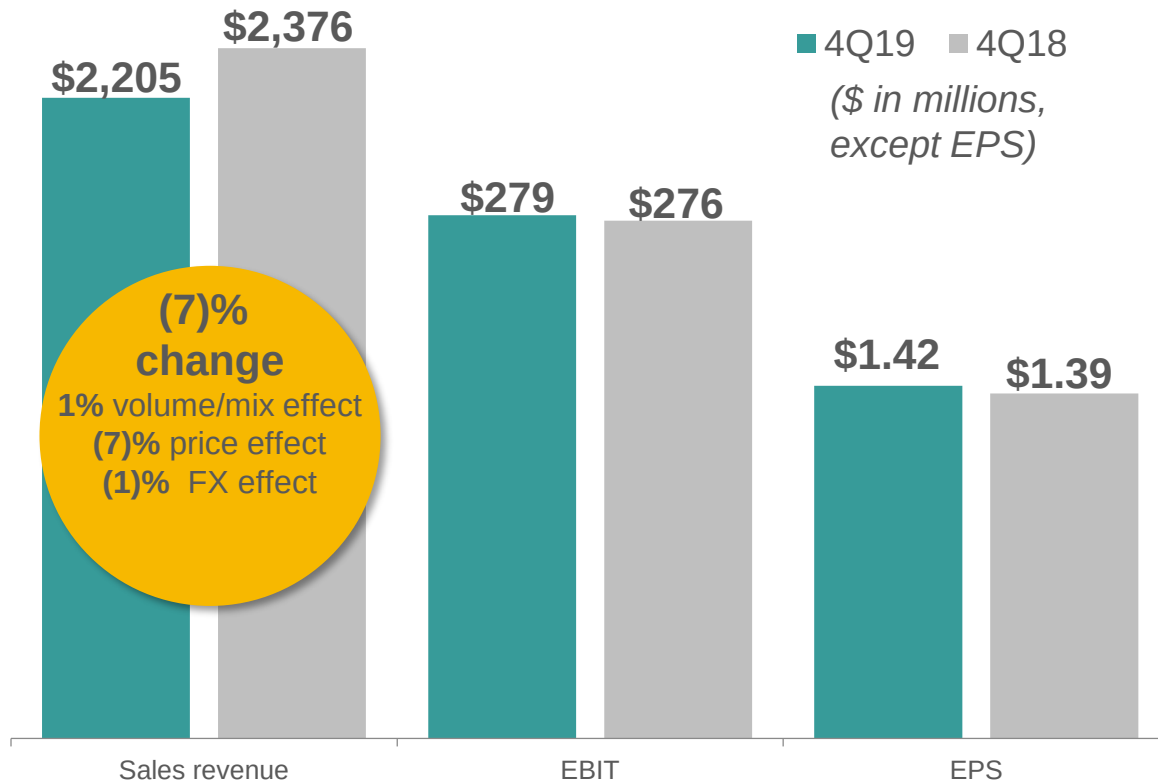
Increased dividend for tenth consecutive year

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4Q and FY 2019 financial results *Corporate*

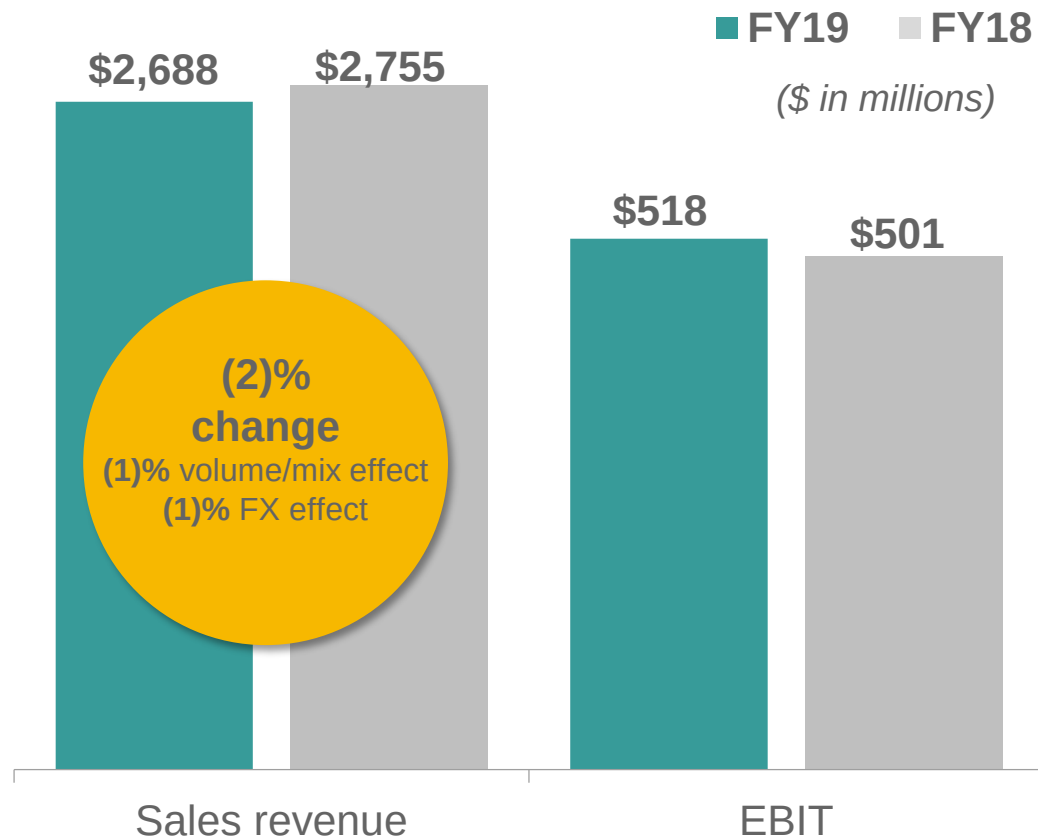


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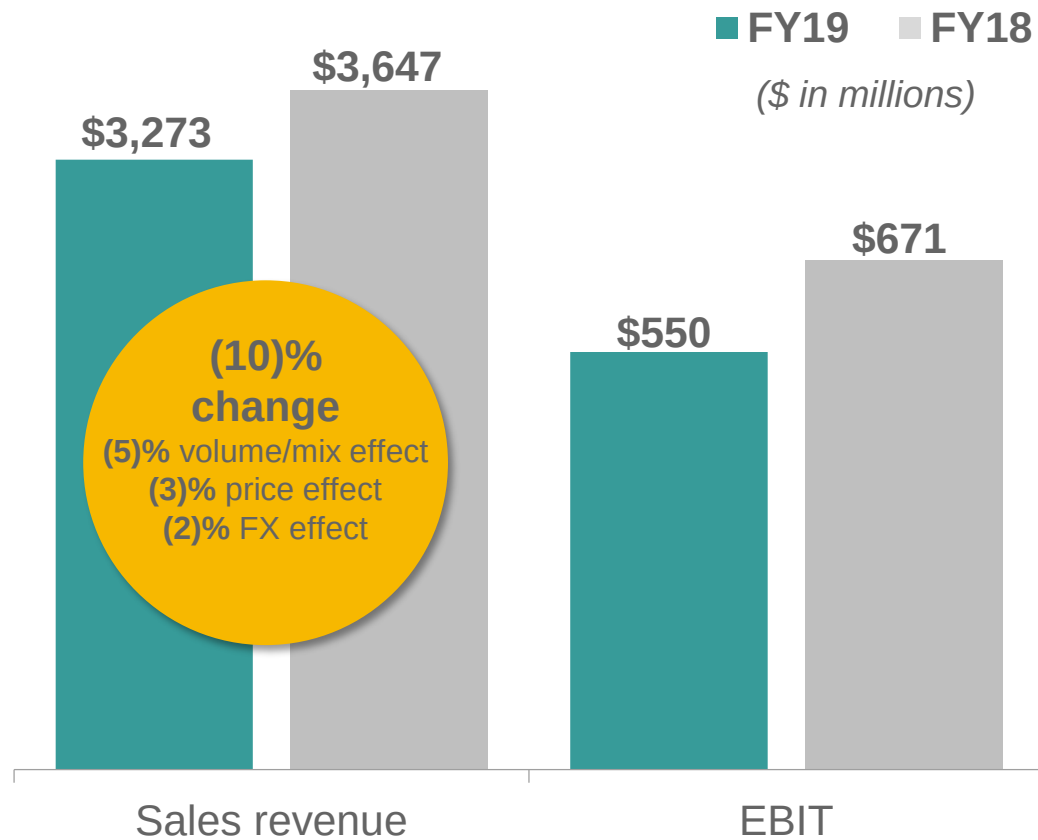
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FY 2019 financial results *Advanced Materials*



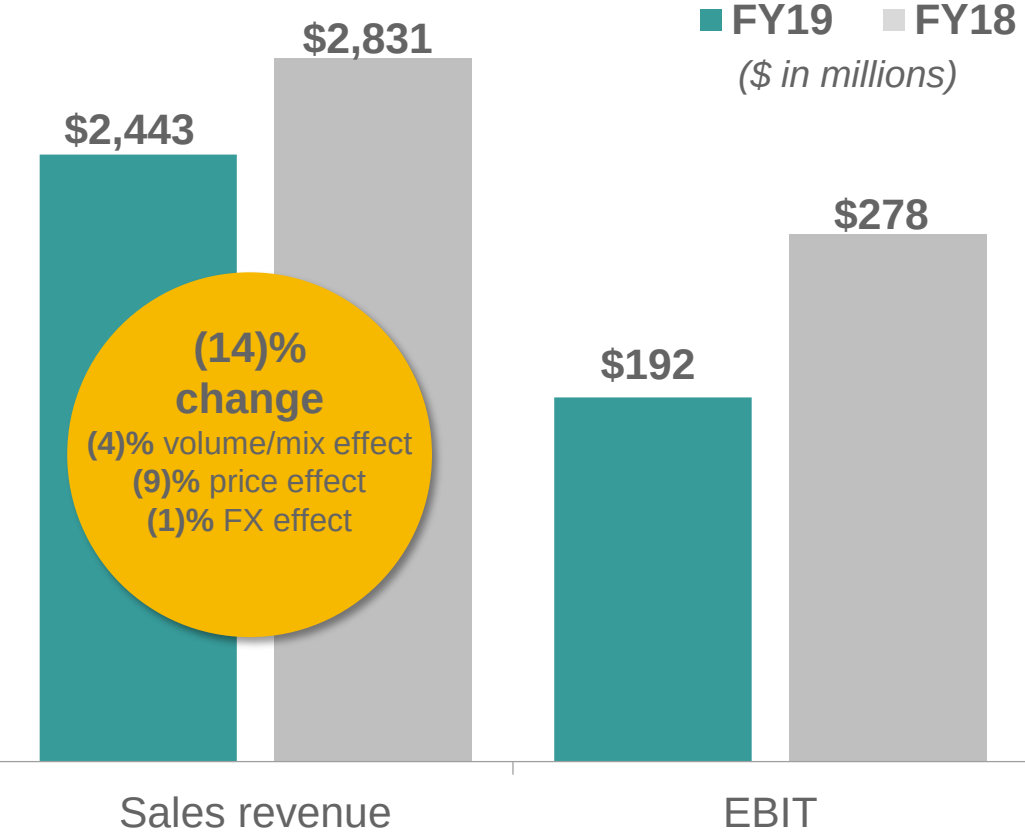
- Revenue decreased due to slightly lower sales volume and an unfavorable shift in foreign currency exchange rates
- EBIT increased primarily due to lower raw material costs and favorable product mix due to increased sales of premium products partially offset by an unfavorable shift in foreign currency exchange rates

FY 2019 financial results *Additives & Functional Products*



- Revenue decreased primarily due to lower sales volume, lower selling prices, and an unfavorable shift in foreign currency exchange rates
- EBIT decreased primarily due to lower sales volume, less favorable product mix, and an unfavorable shift in foreign currency exchange rates

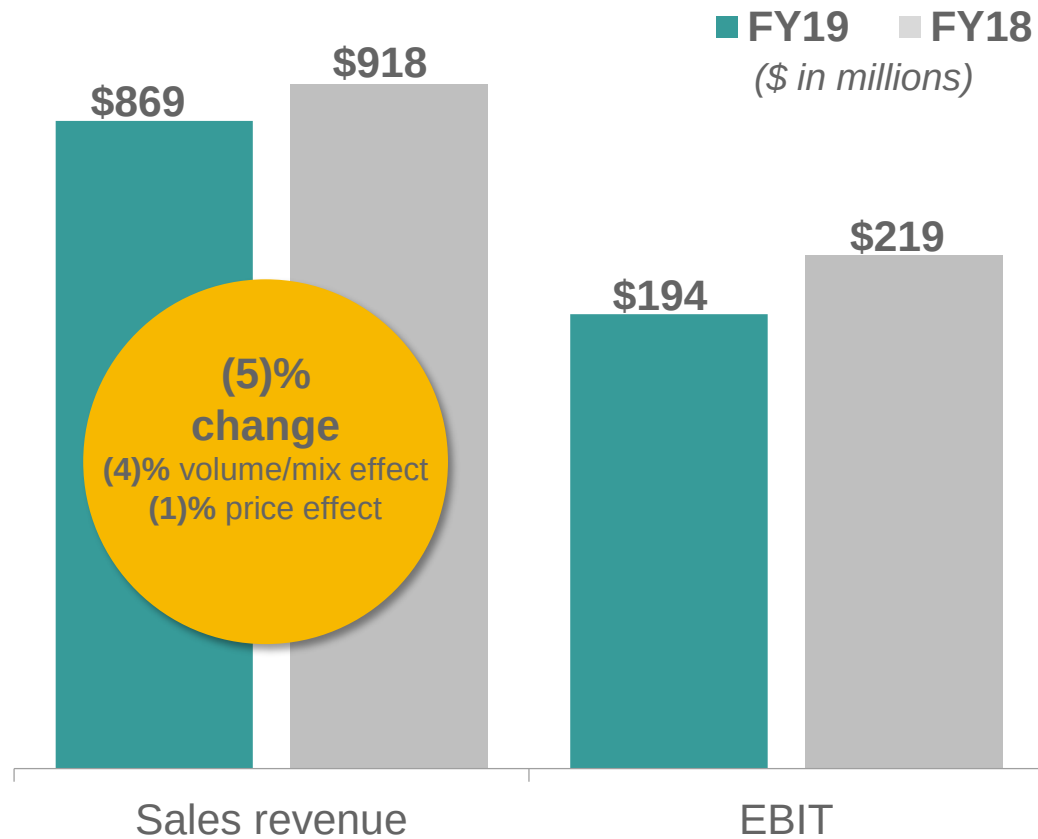
FY 2019 financial results *Chemical Intermediates*



- Sales revenue decreased primarily due to lower selling prices across the segment attributed to lower raw material prices and increased competitive activity. Sales revenue was also negatively impacted by increased competitive pressure in some intermediates and wet weather in North America impacting agriculture end markets
- EBIT decreased primarily due to lower spreads and lower sales volume, partially offset by the benefits from the recent refinery-grade propylene investment



FY 2019 financial results *Fibers*



- Sales revenue decreased primarily due to lower acetate tow sales volume attributed to weakened market demand resulting from general market decline and customer buying patterns
- EBIT decreased primarily due to lower acetate tow sales volume

2019 cash flow and other financial highlights

**\$1.5
billion**
cash from operations

**\$1.08
billion**
Free cash flow

Returned
**\$668
million**
to
stockholders:

**\$343
million**
dividend,

**\$325
million**
share
repurchases

Repaid
**\$370
million**
of debt

FY19 effective
tax rate of
~15.5%



2020 outlook

Growth drivers

- Sales volume growth driven by:
 - Strong growth in new business revenue
 - Less customer inventory destocking in 2020 compared with 2019
 - Stable growth in some end markets
- Actions to reduce costs by \$20-\$40 million
- Lower pension costs
- Lower depreciation

Near-term headwinds

- Lower product spreads in Chemical Intermediates and 1/3rd of AFP identified for improvement actions
- Higher variable compensation and benefit costs
- Stronger U.S. dollar

Projected full-year 2020 adjusted EPS \$7.20 to \$7.60

Projected 2020 free cash flow \$1.0 billion to \$1.1 billion

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New Business Revenue from innovation

- Approximately \$400 million new business revenue from innovation in 2019
- On track to approach \$500 million in 2020
- Led by products like Tritan™ copolyester, SAFLEX™ acoustic interlayers, LLUMAR™ paint protection film in Advanced Materials, and NAIA™ cellulosic yarn in Fibers
- Additives & Functional Products making encouraging progress
- Creating a new vector of growth for the company with investments in Circular Economy

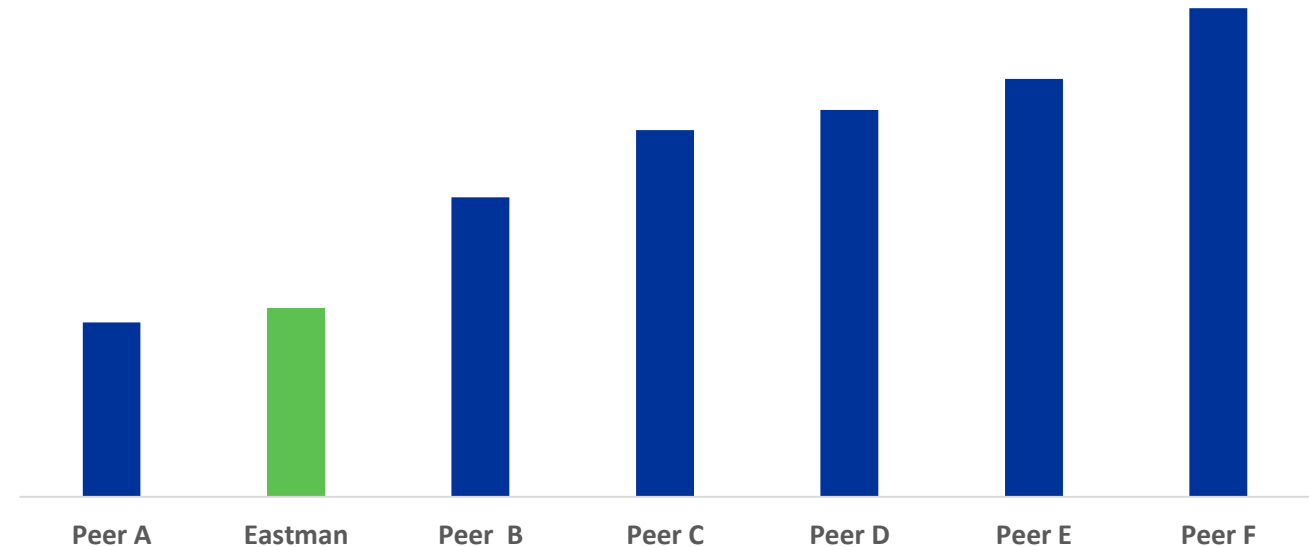
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Building a more capable and efficient organization

- Building our commercial capability
 - Implemented new business operating model
 - CRM investment
 - Application development investments accelerating commercialization of innovation programs
- Reducing cost structure by >\$100 million over next 3 years (\$20 - \$40 million in 2020)
 - Site optimization
 - Singapore facility
 - Other sites under consideration in 1/3rd of AFP identified for improvement actions
 - Digital and other productivity investments
 - Supply chain optimization

(SGA + RD)/REVENUE relative to peers (2018)



Source: company filings, Bloomberg
Peers: Albemarle, Ashland, Celanese, DuPont, FMC, WR Grace



Actions we are taking to improve multi-year performance

- Leveraging our sites – expected to contribute \$30 - \$60 million to EBIT over next 3 years
 - Texas City, TX
 - St. Gabriel, LA
 - Additional projects in pipeline
- Licensing – expect \$25 - \$50 million of revenue over next 3 years
 - Rich portfolio of innovative technologies
 - Strong history of licensing
- Portfolio optimization
 - 1/3rd of AFP – more detail to come

Unique innovation-driven growth model delivers consistent, sustainable value



Significant integration and scale enable innovation, reliability and cost advantage

Advantaged growth and execution capability and culture

Aggressive and disciplined portfolio management

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Appendix

INNOVATION. *Then. Now. Next.*

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Key underlying assumptions and guidance for FY2020

Modeling items:

- Interest expense of approximately \$215 million
- Income tax rate, as adjusted, similar to 2019
- Depreciation and amortization of approximately \$560 million
- Capital expenditures between \$450 and \$475 million
- Free Cash Flow between \$1.0 and \$1.1 billion
- Debt reduced >\$400 million

Key assumptions:

- Similar economic growth in 2020 compared to 2019
- Brent crude oil prices similar to current levels
- Euro to USD ~\$1.10

Quarterly forecasted change in manufacturing maintenance shutdown cost by segment

	Q120	Q220	Q320	Q420	FY2020
Fibers	-	-	-	-	-
Advanced Materials	-	(5)	-	(5)	(10)
Chemical Intermediates	-	(15)	5	15	5
Additives & Functional Products	-	5	(5)	5	5
Total	-	(15)	-	15	-

2020 vs 2019 favorable/(unfavorable) approximate change in manufacturing maintenance shutdown period expense, in millions (\$)

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