



# First-Quarter 2017 Financial Results

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*April 28, 2017*

**EASTMAN**  
The results of insight™

## 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 our Form 10-K for full year 2016 filed with the Securities and Exchange Commission and our Form 10-Q to be filed for first quarter 2017 for risks and uncertainties which could cause actual results to differ materially from current expectations.

## Non-GAAP financial measures

Earnings referenced in this presentation are earnings per share and operating earnings that exclude certain non-core items. In addition, first quarter 2017 earnings per share is calculated with an adjusted tax rate that is the forecasted full year 2017 tax rate and first quarter 2016 earnings per share is calculated with an adjusted tax rate that excludes the provision for income taxes for non-core items. “Free Cash Flow” is cash provided by operating activities minus cash used for additions to properties and equipment. “Net Debt” is total borrowings less cash and cash equivalents. 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 first quarter 2017 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 also exclude any non-core, unusual, or non-recurring items and assume that the adjusted tax rate for first quarter 2017 will be the actual tax rate for the projected periods.

# Strategic Highlights



1Q17 solid results consistent with our expectations



Specialty products delivered strong volume growth through innovation and market development



Disciplined cost management with significant productivity gains



On track for \$1 billion of free cash flow in 2017



Continued recognition of excellence





**EASTMAN**

Eastman TRITAN™  
copolyester



CLARITY



DURABILITY



SAFETY



STYLE

Celebrating 10 years



**Hamilton Beach**



black+blum babybrezza



*Savora*



**NUTRIBULLET**

**THERMOS.**



adagio teas

**BONJOUR**

*Sur la table*

**VACUCRAFT**

hydras™ **GOBIE** H<sub>2</sub>O



**OGA PORA**

**Kuvings**



*Robert Welch*

**contigo**

**Contain This!**



Applica



**BARLUXE**  
TIMELESS DRINKWARE



**Cuisinart**



**Dualit**



# Innovation Highlights

- Strong growth in innovative specialty products driving earnings mix improvement

**Paint protection films**



**SUNTEK®** window film  
**V-KOOL®** window film  
**LLUMAR®** window and paint protection film

**Enhanz™ feed additive**



**Eastman Enhanz™**  
Adding value to your recipe

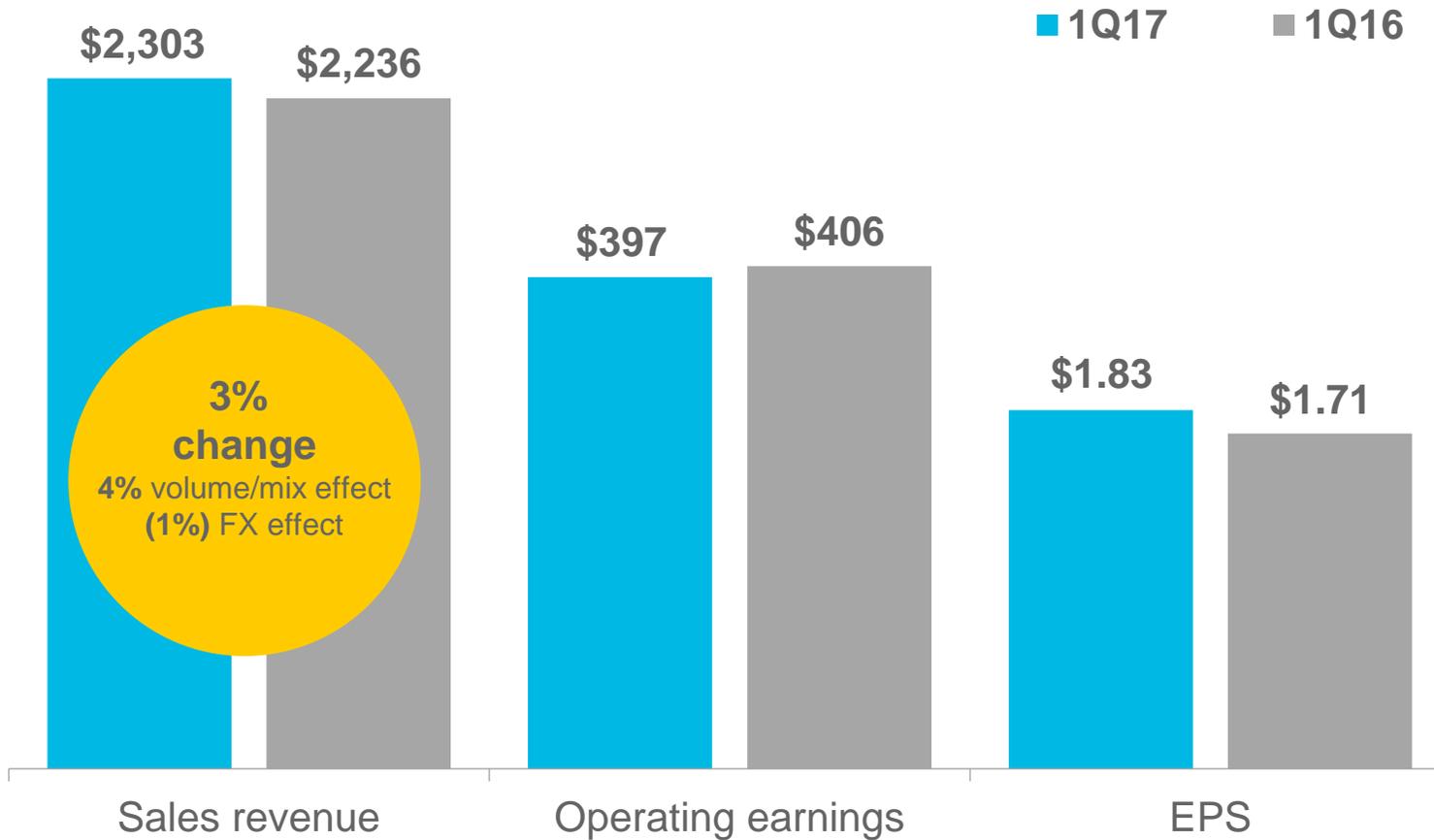
**Next-generation Crystex®**



**Eastman CRYSTEX®**  
insoluble sulfur

# 1Q 2017 financial results *Corporate*

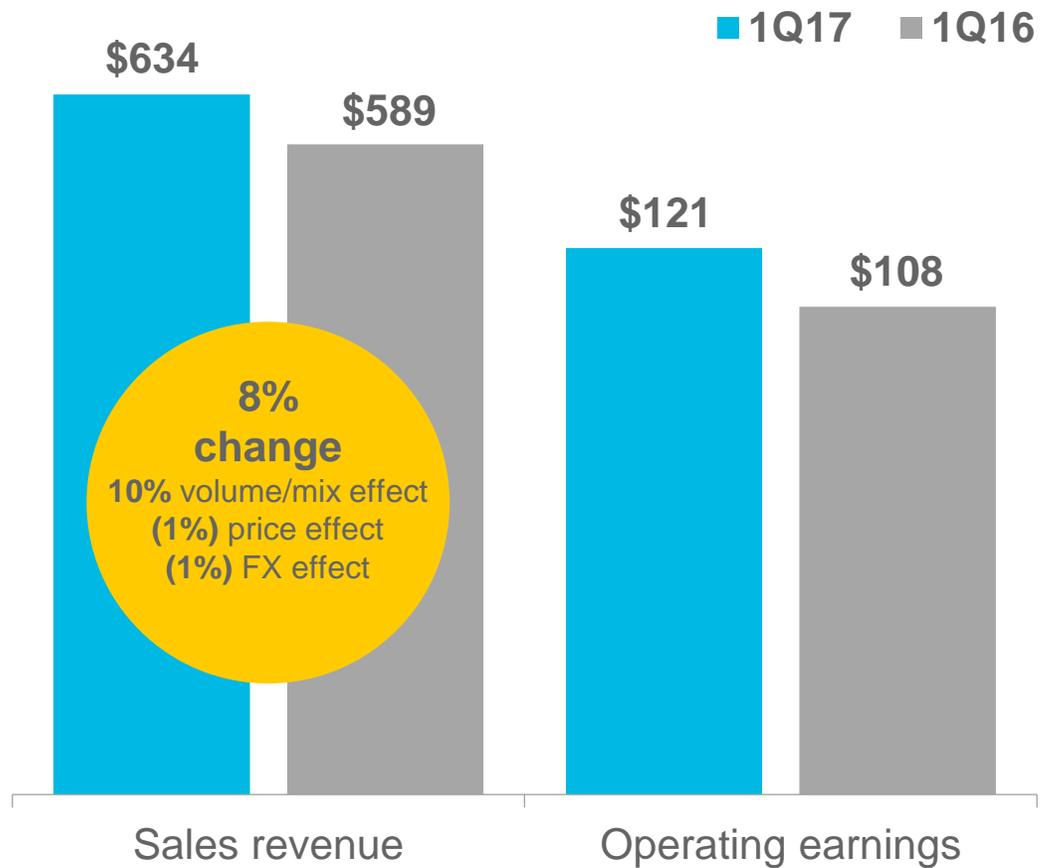
(\$ in millions, except EPS)



- Revenue grew as increases in Additives & Functional Products, Advanced Materials, and Chemical Intermediates more than offset a decline in Fibers.
- Operating earnings declined slightly as increases in Advanced Materials and Chemical Intermediates were more than offset by a decline in Fibers.

# 1Q 2017 financial results *Advanced Materials*

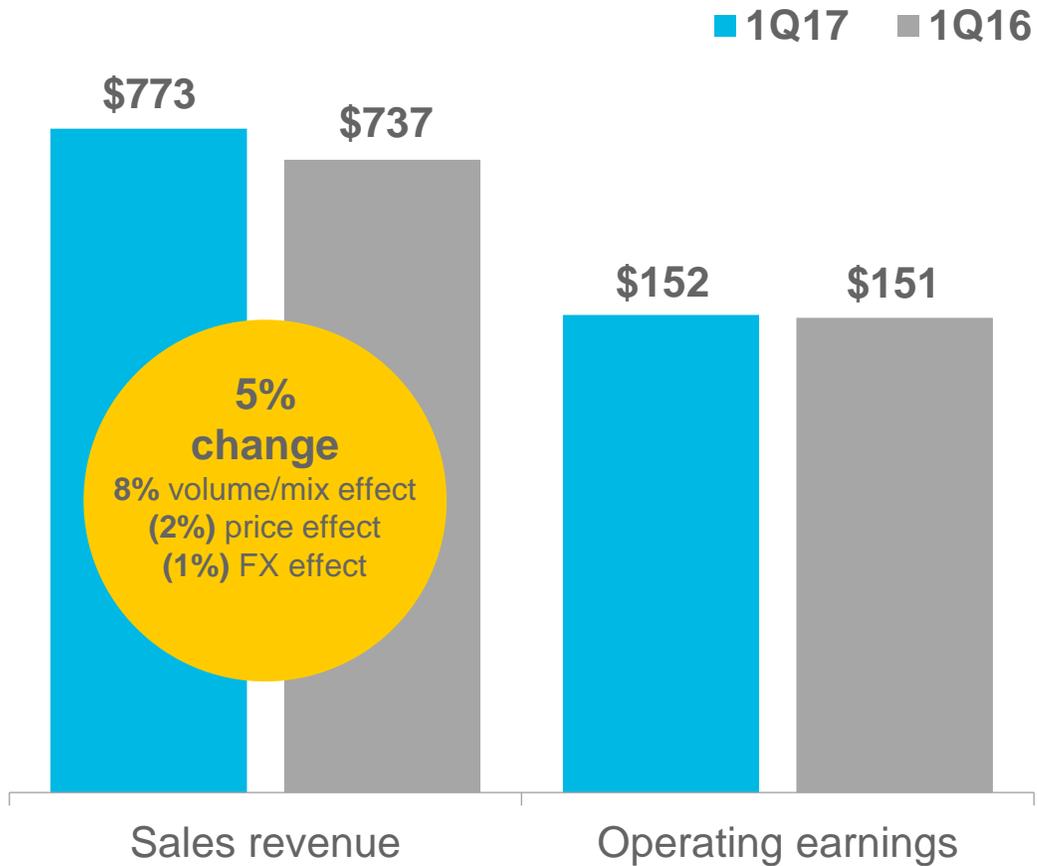
(\$ in millions)



- Sales revenue increased due to improved product mix resulting from higher sales volume of premium products including Eastman Tritan™ copolyester, performance films, and Saflex® acoustic interlayers.
- Operating earnings increased due to higher sales volume, improved product mix of premium products, and fixed cost leverage, partially offset by higher raw material and energy costs and lower selling prices.

# 1Q 2017 financial results *Additives & Functional Products*

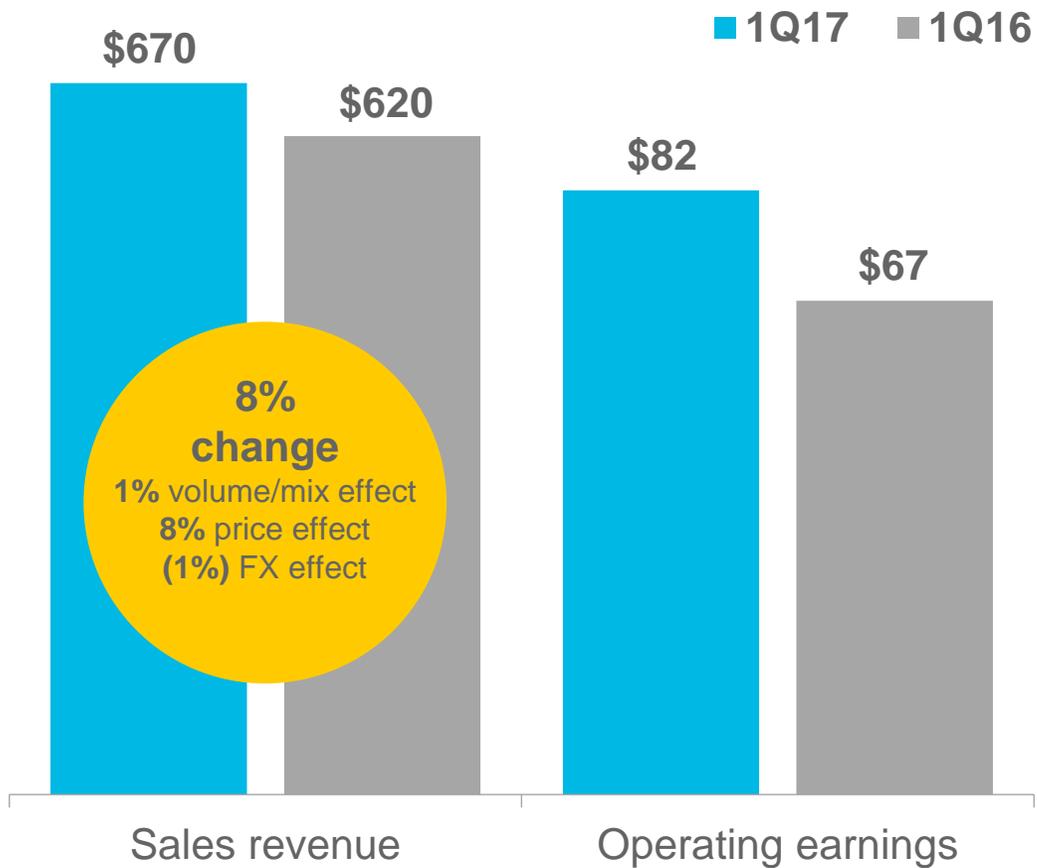
(\$ in millions)



- Sales revenue increased due to higher sales volume across the segment, partially offset by slightly lower selling prices and an unfavorable shift in foreign currency exchange rates. The lower selling prices were primarily attributed to lower raw material prices in the prior year.
- Operating earnings were relatively unchanged as higher sales volume was mostly offset by higher raw material and energy costs, lower selling prices, and an unfavorable shift in foreign currency exchange rates.

# 1Q 2017 financial results *Chemical Intermediates*

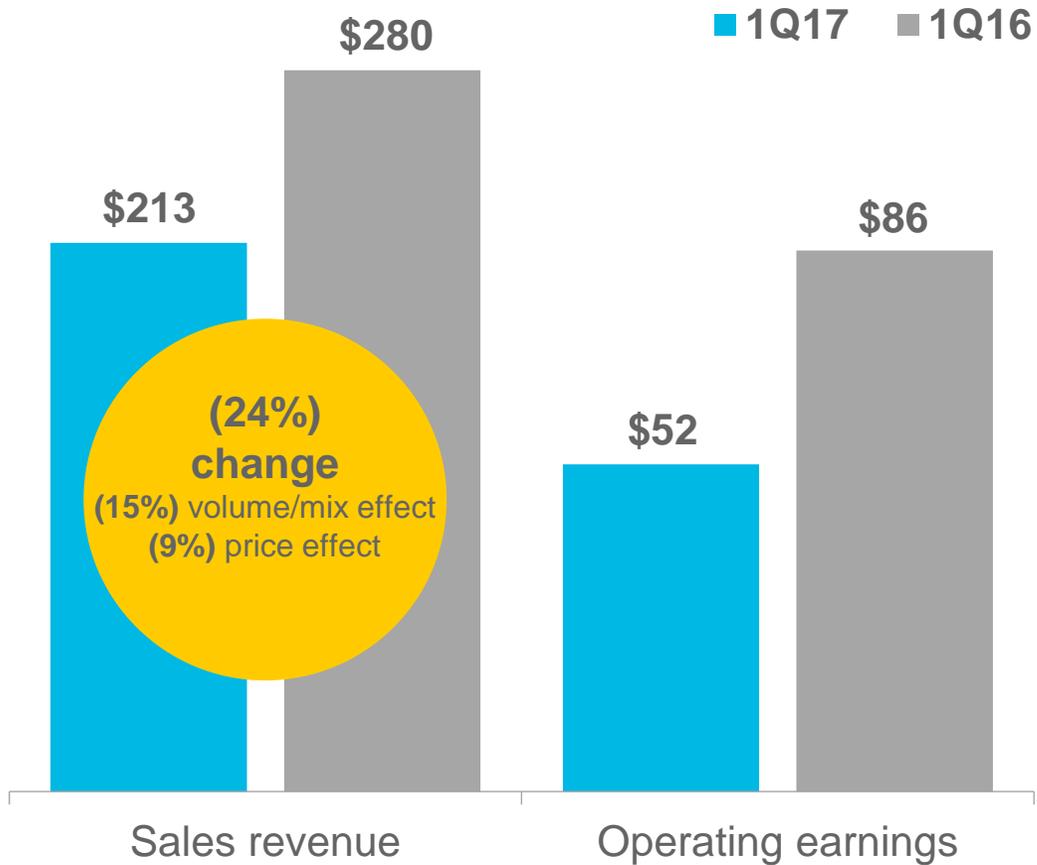
(\$ in millions)



- Sales revenue increased primarily due to higher selling prices. The higher selling prices were attributed to higher raw material prices and improved competitive conditions.
- Operating earnings increased primarily due to higher selling prices and lower commodity hedge costs, partially offset by higher raw material and energy costs.

# 1Q 2017 financial results *Fibers*

(\$ in millions)



- Sales revenue decreased primarily due to lower sales volume and lower selling prices, particularly for acetate tow. Lower acetate tow sales volume was primarily due to reduced sales in China and customer buying patterns. Lower acetate tow selling prices were primarily due to lower industry capacity utilization rates.
- Operating earnings declined due to lower sales volume and lower selling prices, partially offset by lower operating costs resulting from recent actions.

# 1Q 2017 cash flow and other financial highlights

**\$52  
million**  
cash from operations

Remain  
committed to  
reduce debt by  
**~\$350  
million**  
in 2017

Returned  
**\$150  
million**  
to  
stockholders:  
**\$75  
million**  
dividend,  
**\$75  
million**  
share  
repurchases

Updating FY17  
tax rate  
expectation to  
**~21%**,  
in-line with  
2016 tax rate

# Full-year 2017 outlook

## Growth drivers

- Robust portfolio of specialty businesses well positioned for growth
- Strong growth in high margin, innovative products expected to accelerate earnings growth
- Growth in attractive niche end-markets within transportation, building & construction, consumables, and consumer durables
- Aggressive cost reductions
- Net benefit from reduction in hedges
- Lower interest expense
- Increased share repurchases

## Near-term headwinds

- Uncertain global economic growth
- Stronger dollar
- Volatile raw material and energy prices
- Challenges in Fibers

**Expect adjusted 2017 EPS to be 8 to 12 percent greater than adjusted 2016 EPS**

# Summary

- Strong portfolio of specialty businesses
- Continue to drive organic growth, innovation and product mix improvement
- Use all available levers in current environment
- Deploy free cash flow to pay an increasing dividend, continue delevering, and accelerate share repurchases
- Well positioned for long-term earnings growth and strong free cash flow generation