

Innovation Day 2018

Mark Costa
Board Chair and Chief Executive Officer



EASTMAN

Forward-looking statements

During these presentations, 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. Throughout these presentations, “F” is used to indicate projected, or “forecasted”, amounts. See Eastman’s most recent Form 10-K and 10-Q filings with the Securities and Exchange Commission and these slides and the remarks in the presentations for risks and uncertainties which could cause actual results to differ materially from current expectations.

Non-GAAP financial measures

All earnings measures in these presentations are non-GAAP and exclude certain non-core and unusual items. Full-year 2017 amounts are from our February 1 and 2 public disclosures of our 2017 financial results but will be final when we file our 2017 Form 10-K with the SEC.

- **“Adjusted Net Income”** is **“Net Income”** adjusted to exclude the same non-core and any unusual or non-recurring items as are excluded from the Company's other non-GAAP earnings measures for the same periods.
- **“Debt to EBITDA”** Ratio is defined as Total Debt divided by Adjusted EBITDA.
- **“Diversified Peers”** are BASF, CE, HUN.
- **“EBITDA”** is net earnings or net earnings per share before interest, taxes, depreciation and amortization adjusted to exclude the same non-core and any unusual or non-recurring items as are excluded from the Company's other non-GAAP earnings measures for the same periods. **“EBITDA Margin”** is EBITDA divided by the GAAP measure sales revenue in the Company’s income statement for the period presented. Information concerning use of the non-GAAP measures. Projections of future Adjusted EBITDA and EBITDA Margin also exclude any non-core or non-recurring items.
- **“Free cash flow”** is cash provided by operating activities less cash used for additions to properties and equipment, both the GAAP measures in the Company’s statements of cash flows for the period presented. Information concerning use of the non-GAAP measure free cash flow is available in the Company’s Form 10-Q for third quarter 2017. **“Adjusted Free Cash Flow”** is cash provided by operating activities excluding non-core or unusual items less cash used for additions to properties and equipment.
- **“Free cash flow conversion”** is Adjusted Free Cash Flow divided by Adjusted Net Income.
- **“IRR”** is the Internal Rate of Return calculated based on 10-year project cash flow assumptions.
- **“Return on Invested Capital”** (or **“ROIC”**) is adjusted net income plus interest expense after tax divided by average total borrowings plus average stockholders’ equity for the period presented, each derived from the GAAP measures in the Company’s financial statements for the periods presented.
- **“Specialty Peers”** are ALB, ASH, FMC, IFF, PPG.
- **“Variable Margin”** defined as GAAP measure sales revenue in the Company’s income statement for the period presented minus total raw material costs, total purchased energy costs, and variable distribution costs divided by the GAAP measure sales revenue in the Company’s income statement for the period presented.
- **“Operating Margin”** defined as operating earnings divided by the GAAP measure sales revenue in the Company’s income statement for the period presented.

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 the Appendix 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 and Forms 8-K furnished and filed with the SEC for the periods for which non-GAAP financial measures are presented. Projected future earnings exclude any non-core, unusual, or non-recurring items, and projections of future earnings per share assume that the adjusted tax rate for the most recent completed period will be the actual tax rate for the projected periods. Unless otherwise indicated, except for earnings per share, all dollar amounts are millions “(\$M)” or billions “(\$B)”.

Agenda



Mark Costa
Board Chair and Chief Executive Officer

8:15 – 8:55 a.m.
Eastman overview



Brad Lich
Executive Vice President and Chief Commercial Officer



Lucian Boldea
Senior Vice President, Additives & Functional Products

9:00 – 11:25 a.m.
Concurrent breakout sessions



Steve Crawford
Senior Vice President and Chief Technology Officer

11:25 – 11:40 a.m. / **Break**



Curt Espeland
Executive Vice President and Chief Financial Officer

11:40 – 12:00 p.m.
Financial overview

12:00 – ~12:45 p.m.
Closing comments and Q&A

Immediately following
Lunch / Executive availability



Eastman Executive Team



Mark J. Costa
Board Chair and
Chief Executive Officer



Curt E. Espeland
Executive Vice President and
Chief Financial Officer



Brad A. Lich
Executive Vice President and
Chief Commercial Officer



Lucian Boldea
Senior Vice President, Additives
& Functional Products



Michael H.K. Chung
Senior Vice President and
Chief International Ventures Officer



Mark K. Cox
Senior Vice President,
Chief Manufacturing, Supply
Chain and Engineering Officer



Stephen G. Crawford
Senior Vice President and
Chief Technology Officer



David A. Golden
Senior Vice President,
Chief Legal and Sustainability
Officer, and Corporate Secretary



Perry Stuckey III
Senior Vice President and
Chief Human Resources Officer

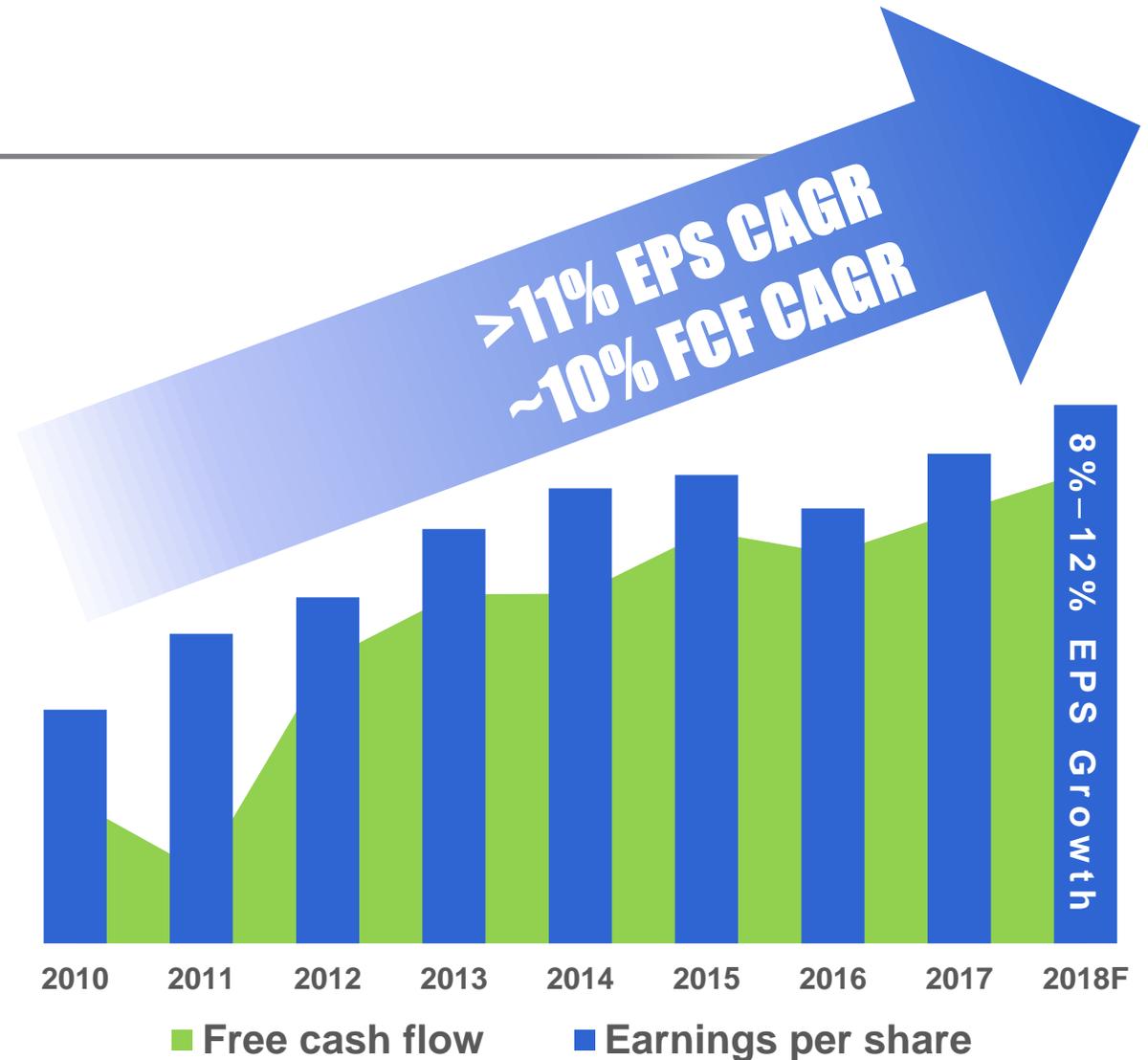


Damon C. Warmack
Senior Vice President Corporate
Development and Chemical
Intermediates



Why invest in EMN?

- » A compelling, innovation-based organic growth model
- » Aggressive portfolio management, improving structural quality of earnings and FCF
- » Disciplined and balanced capital deployment



Strong value creation expected going forward

Core **sales revenue growth** in line with end markets

Specialty products growing **>2x** underlying markets

23%
CORPORATE EBITDA MARGIN
and increasing with improved product mix

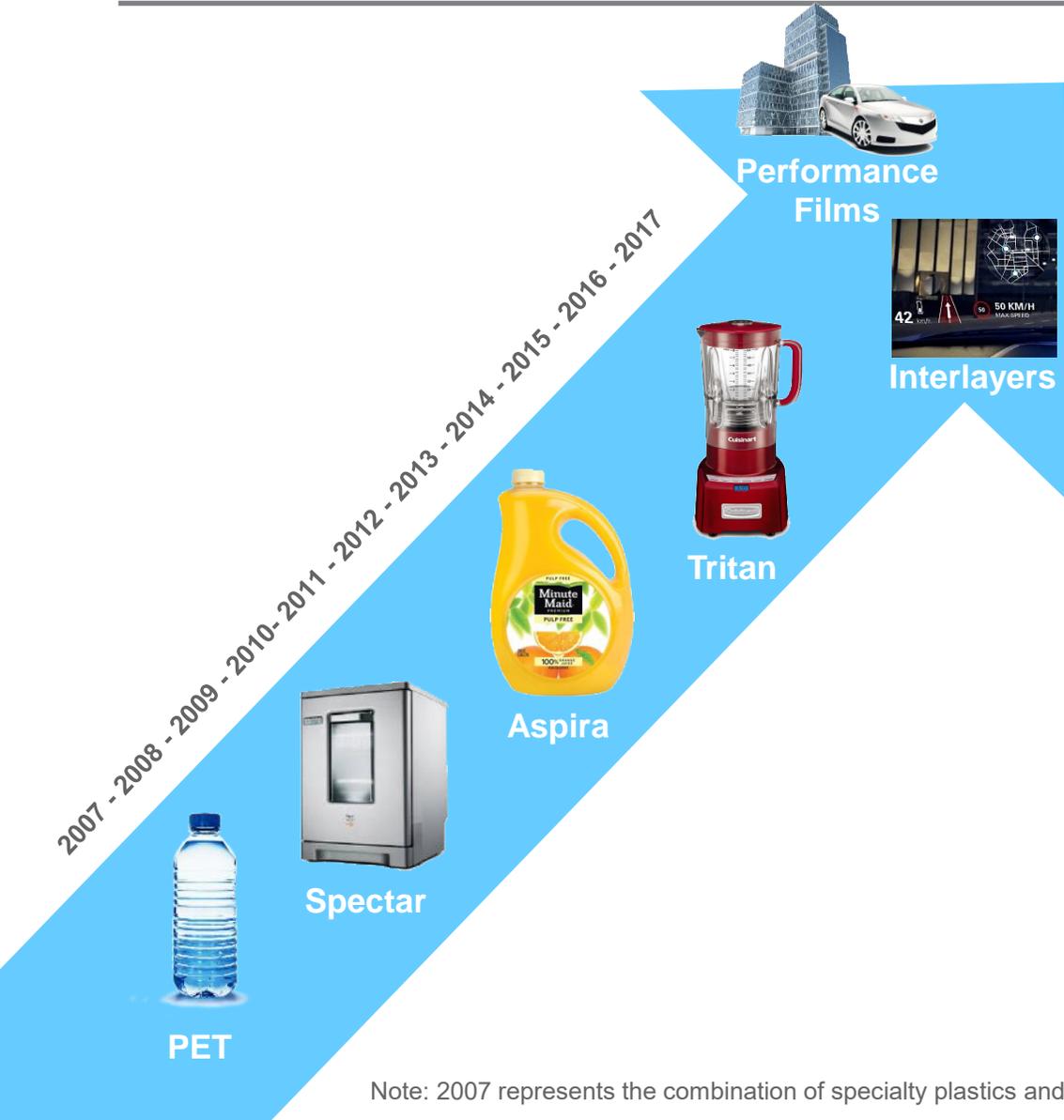
>\$1 billion
ANNUAL FREE CASH FLOW
and growing

10%–15%
RETURN ON INVESTED CAPITAL (ROIC)
creating value above cost of capital and growing over time

8%–12%
EPS CAGR
2018–2020



Advanced Materials: Transformation through innovation-driven growth and portfolio management



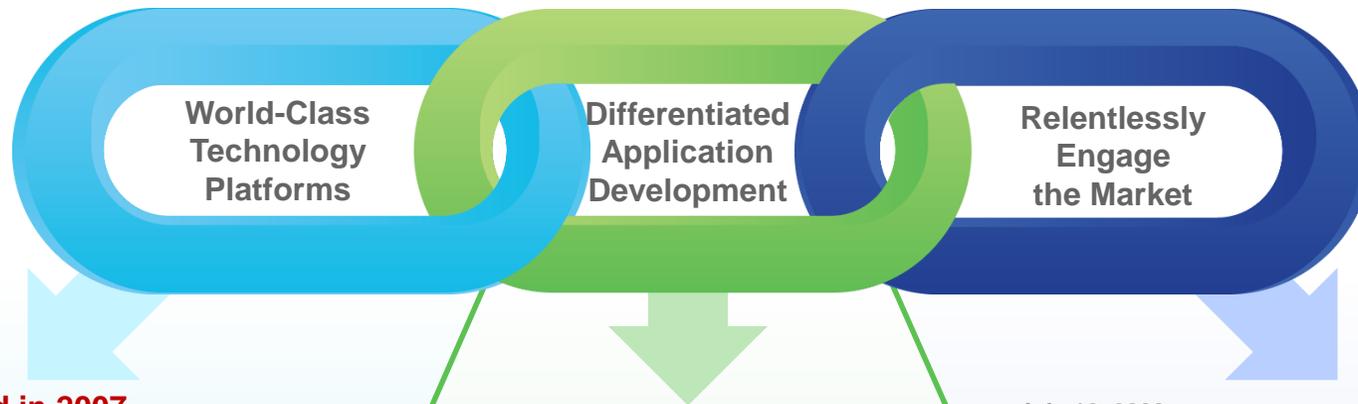
TRANSFORMATION IN ADVANCED MATERIALS

>5X EBITDA GROWTH

Note: 2007 represents the combination of specialty plastics and PET. For reference, see the Company's Form 10-K for 2008.



Success of Tritan in consumer durables enabled by our innovation-driven growth model



Polycarbonate



Cracks after **250** dishwasher cycles

SAN (Styrene acrylonitrile)



Deforms after **125** dishwasher cycles

Tritan launched in 2007



After **1,000** dishwasher cycles
NO cracking hazing, crazing, or distortion



July 16, 2008

FORTUNE MAGAZINE: Sustainability by Marc Gunther

Wal-Mart: the new FDA

Rubbermaid

Cuisinart



Nuby

CAMELBAK

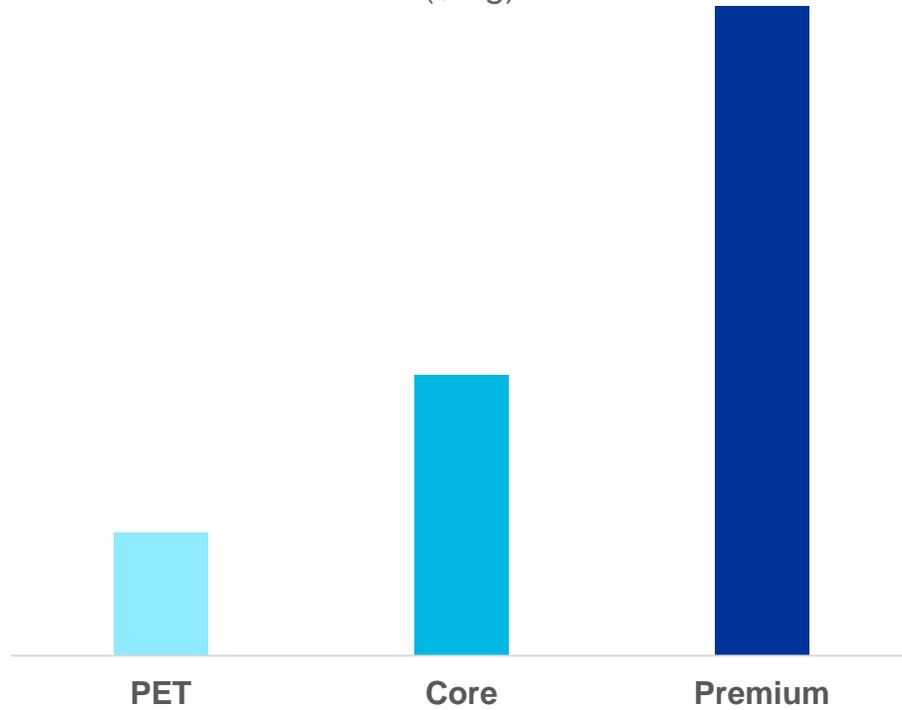


Tritan 2017 sales revenue ~\$300M with above AM segment average operating margin

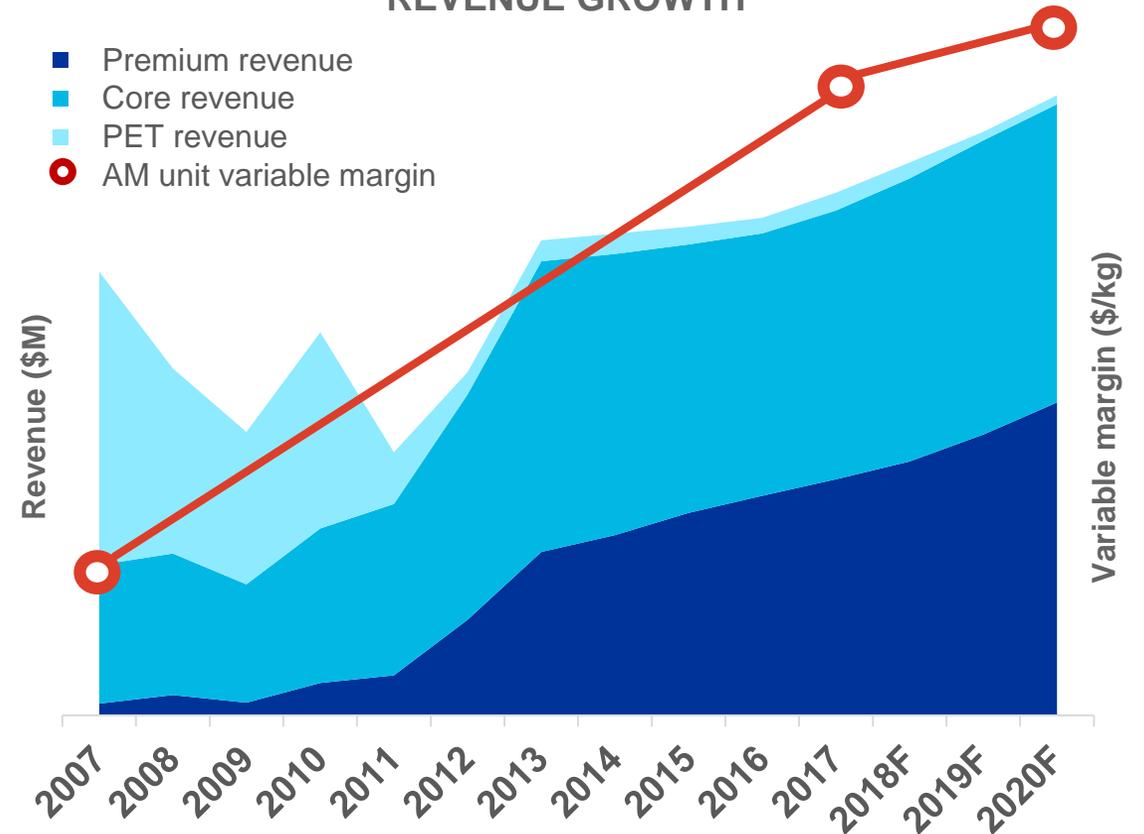


Advanced Materials transformation accelerated earnings growth by leveraging assets, upgrading mix and strategic portfolio management

SELLING PRICES
(\$/kg)¹



REVENUE GROWTH²



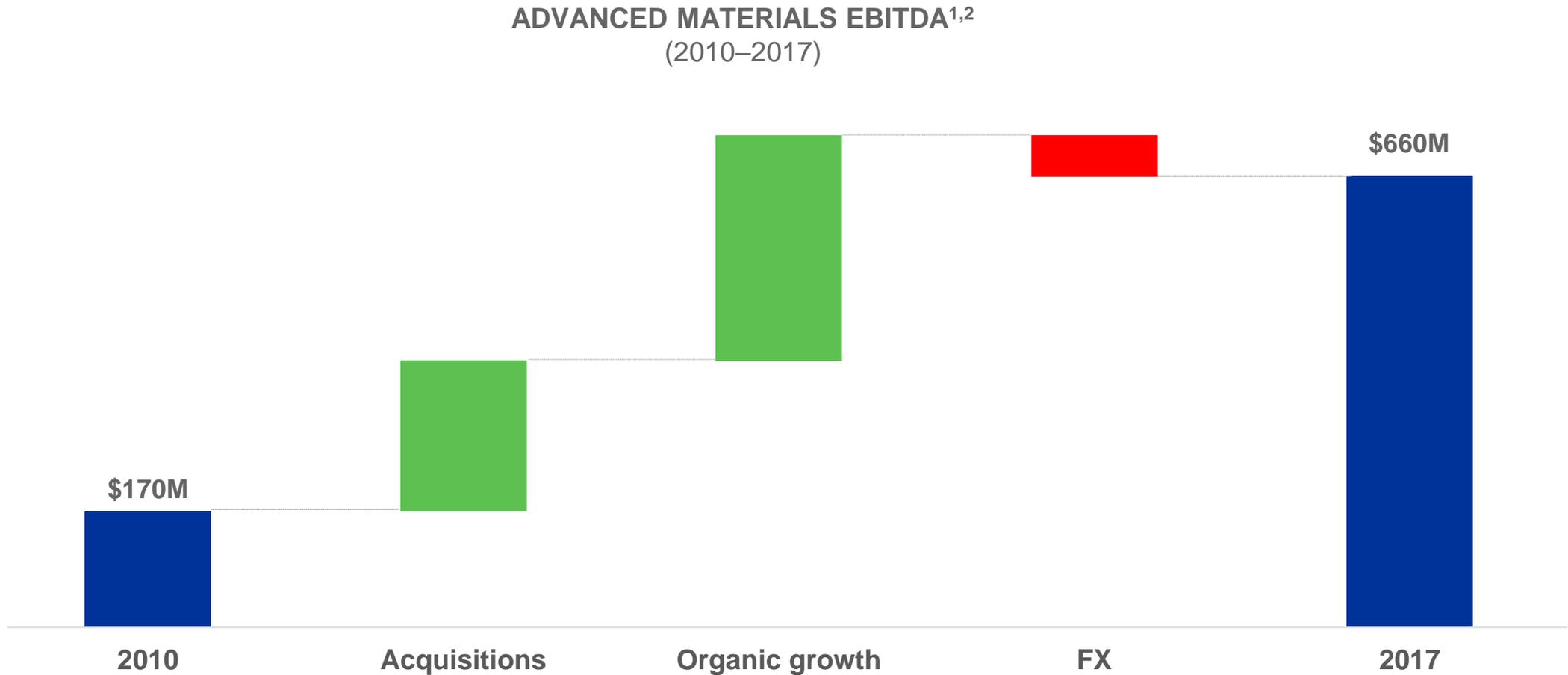
(1) Weighted average selling price 2007–2020F

(2) Performance Polymers segment PET business included for 2007 to 2011 for visibility of portfolio change

Structural changes result in variable margin that is ~5x higher than 2007



Advanced Materials: Organic growth is 2/3 of the 21% EBITDA growth CAGR from 2010–2017



(1) 'Acquisitions' are acquired Solutia and Commonwealth Laminating & Coating, Inc. businesses at first full year of ownership assuming first full year of realized synergies.

(2) FX includes foreign currency translation and competitive impact on operating earnings.



Unique innovation-driven growth model delivers consistent, sustainable value



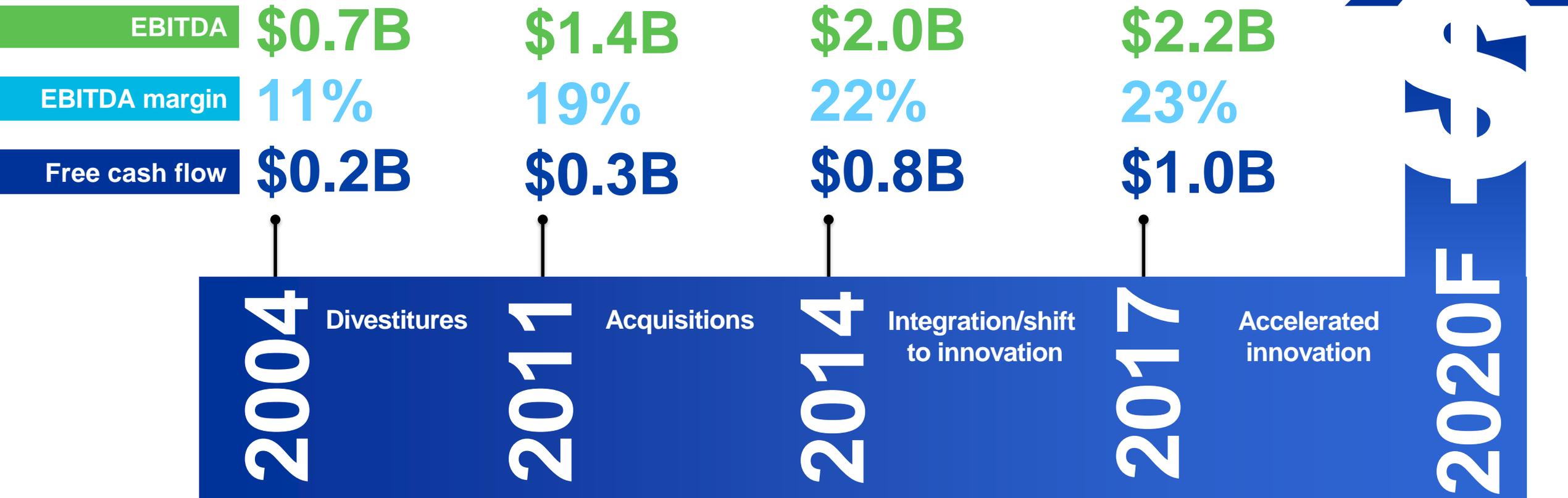
Significant integration and scale enable innovation, reliability and cost advantage

Advantaged growth and execution capability and culture

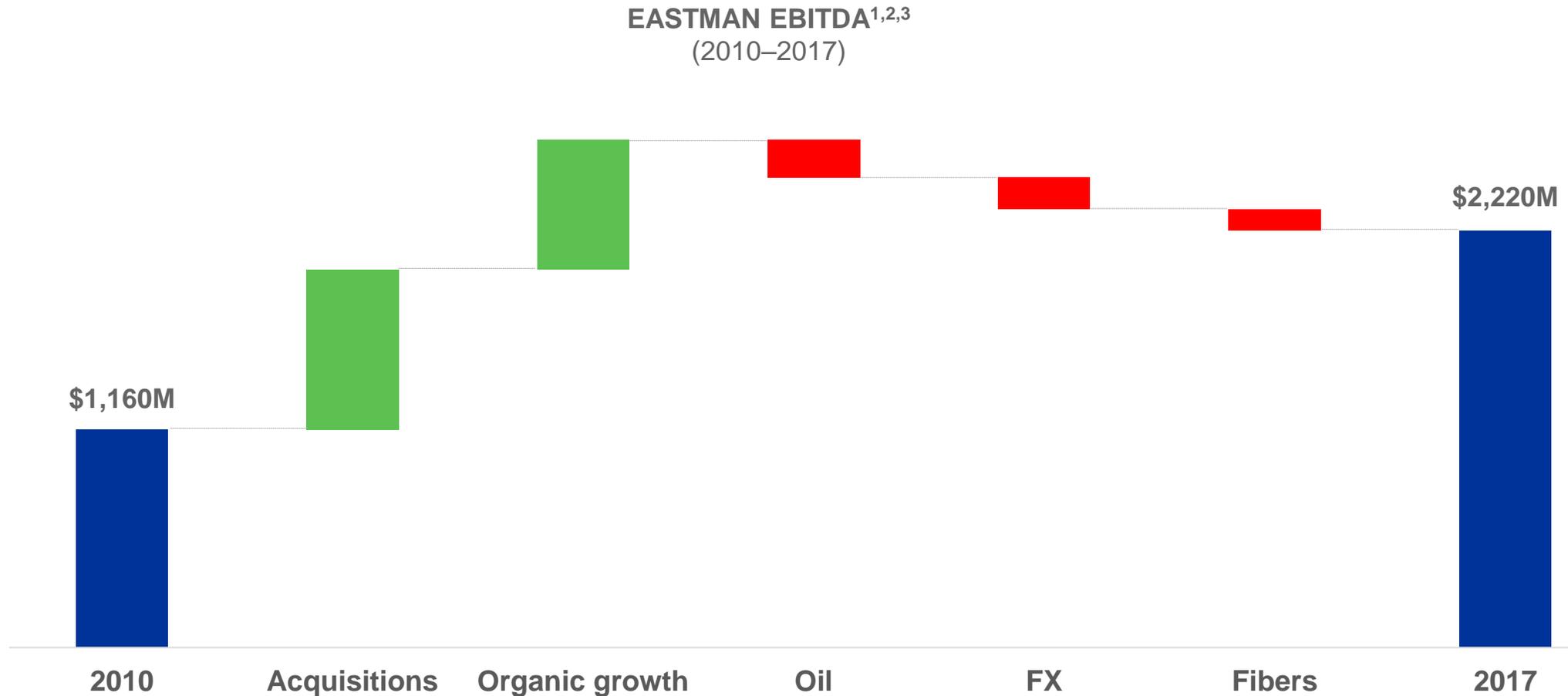
Aggressive and disciplined portfolio management



Strong track record of value-creating portfolio management



Innovation-led organic growth and portfolio management result in >90% increase in EBITDA 2010–2017, despite macro headwinds



(1) 'Acquisitions' are acquired Solutia and Commonwealth Laminating & Coating, Inc. businesses at first full year of ownership assuming first full year of realized synergies. All other acquisitions and divestitures included in 'Organic Growth.'

(2) 'FX' includes foreign currency translation and competitive impact on operating earnings.

(3) 'Oil' is defined as the drop in the price of Brent over the period indicated which resulted in lower selling prices for products that have oil derivatives as a key input, narrowed the cost advantage of products produced with natural gas liquids in the U.S. compared with those produced globally.





Relentlessly Engage
the Market

Relentlessly engaging the market to create our own growth



Sophisticated targeting in attractive niche markets



Leveraging disruptive macro trends for growth



Driving market activation across the value chain

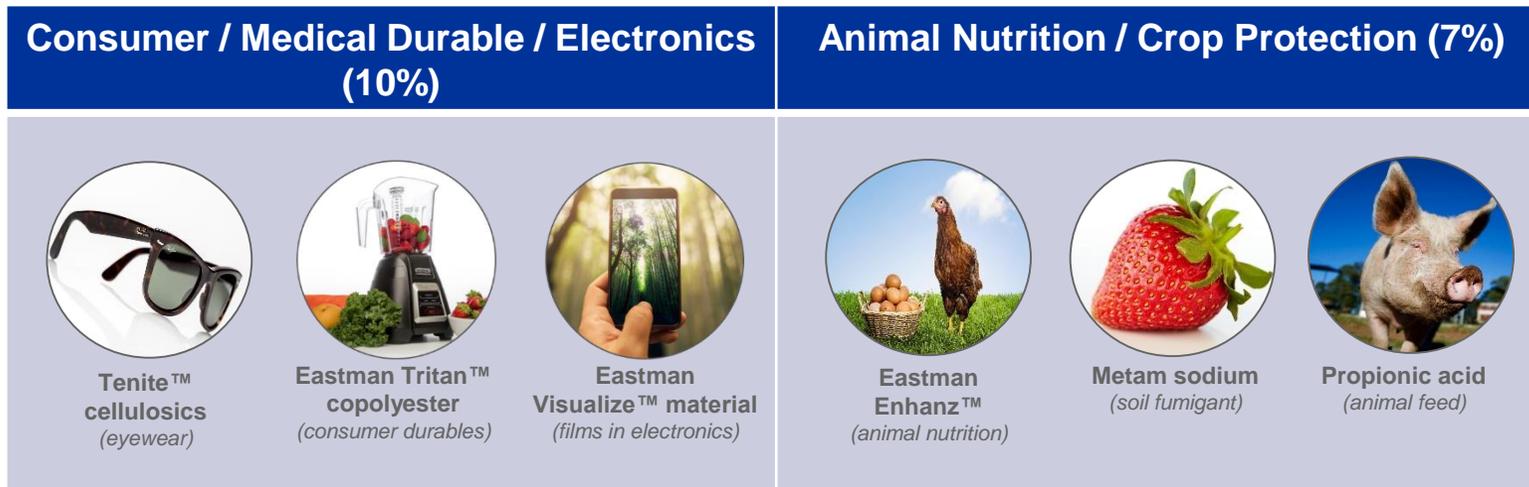




Relentlessly Engage
the Market

~2/3 of sales revenue from product lines in leading market positions combined with precision marketing within niches

% revenue by end market – 2017





Relentlessly Engage
the Market

Leveraging disruptive macro trends to
enhance the quality of life in a material way



**Health &
wellness**



**Emerging
middle class**



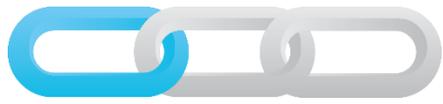
**Natural
resource
efficiency**



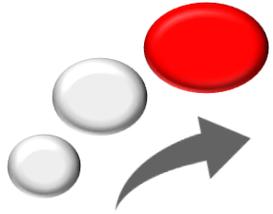
**Feeding a growing
population**

Favorable macro trends applicable to ~80% of Eastman growth





World-class scalable technology platforms provide the foundation of competitive advantage and sustainable growth



Multigenerational product development for every specialty product



R&D scale enables faster, more differentiated product development



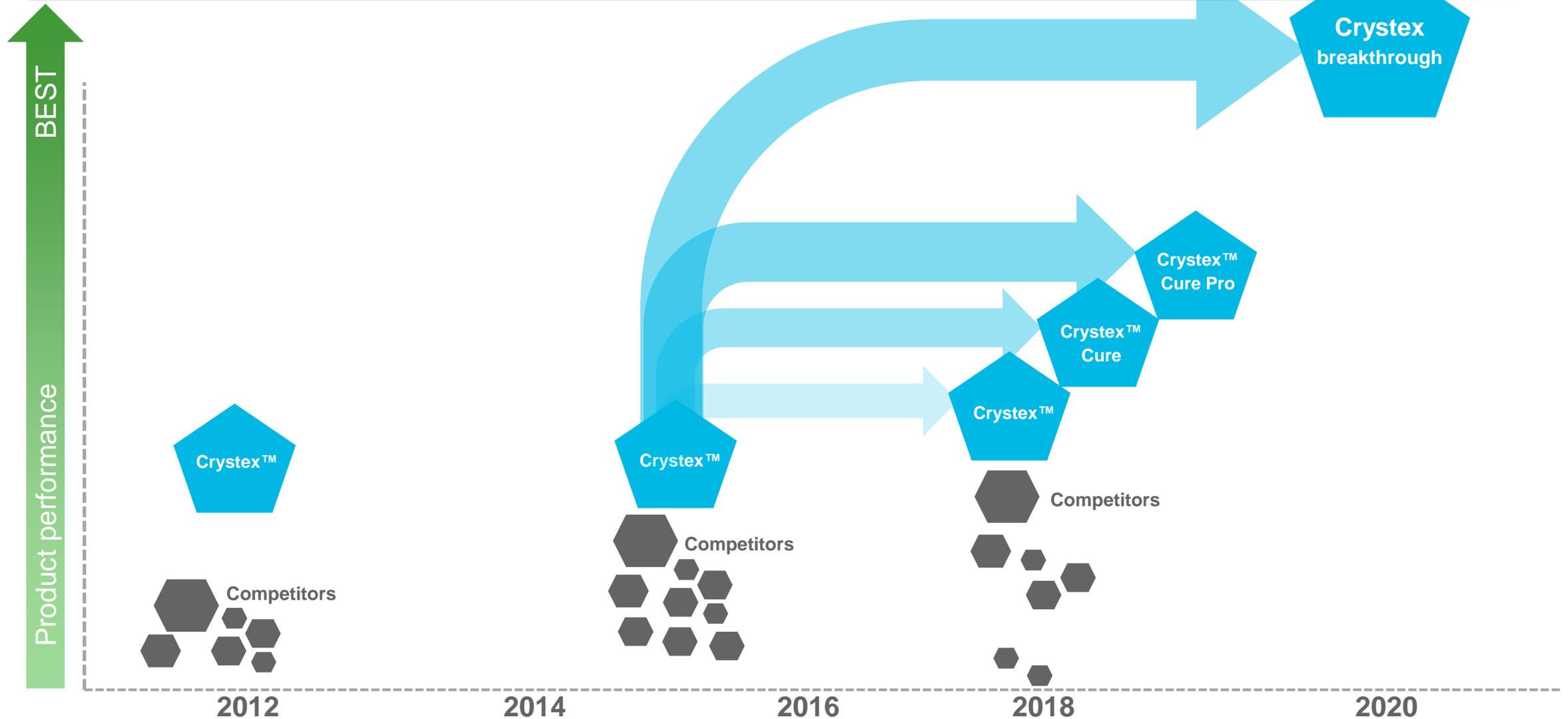
Creating value through integration of multiple technology platforms





Crystex multigenerational technology plan extends our competitive advantage

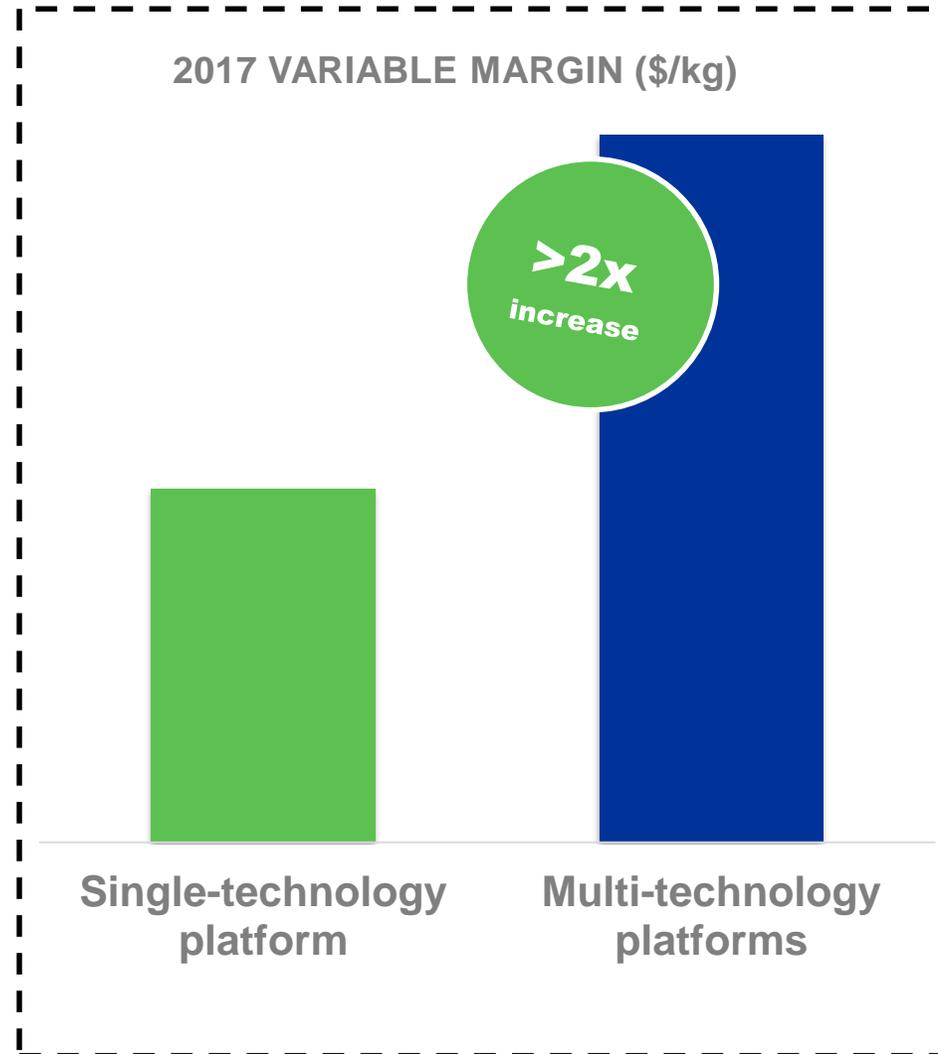
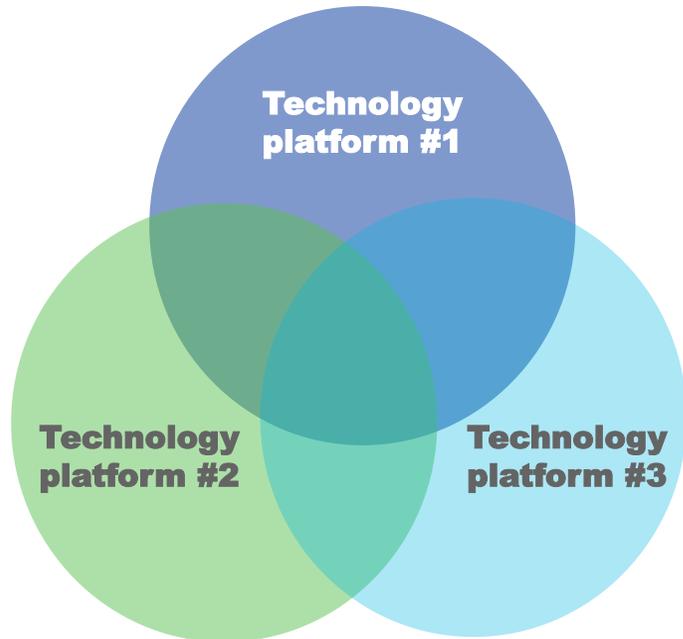
World-Class Scalable
Technology Platforms





World-Class Scalable
Technology Platforms

Integration across multiple technology platforms delivers sustainable high margins



Multi-technology platforms

- » Tritan™
- » Tetrashield™
- » Cellulose acetate butyrate (CAB)
- » Cellulose acetate propionate (CAP)
- » Specialty ketones
- » Interlayers
- » Performance films





Differentiated
Application Development

Differentiated application development embraces and converts market complexity into sustainable value



Accelerates innovation by enabling deep understanding of how our products perform within the customer's product



Creates demand downstream by demonstrating value of our innovation with prototypes



Improves understanding of our products' value capture





Differentiated
Application Development

Global application development capability is critical component of innovation-led growth



Canoga Park, CA

Functional films

Palo Alto, CA

Functional films

Springfield, MA

Functional films

Akron, OH

Rubber formulation

Kingsport, TN

Adhesives formulation

Coatings formulation

Functional films

Textiles

Thermoplastic conversion

Martinsville, VA

Functional films



Ghent, Belgium

Thermoplastic conversion

Animal nutrition

Coatings formulation

Dresden, Germany

Functional films

Middelburg, The Netherlands

Adhesives formulation



Guangzhou, China

Thermoplastic conversion

Shanghai, China

Adhesives formulation

Coatings formulation

Rubber formulation

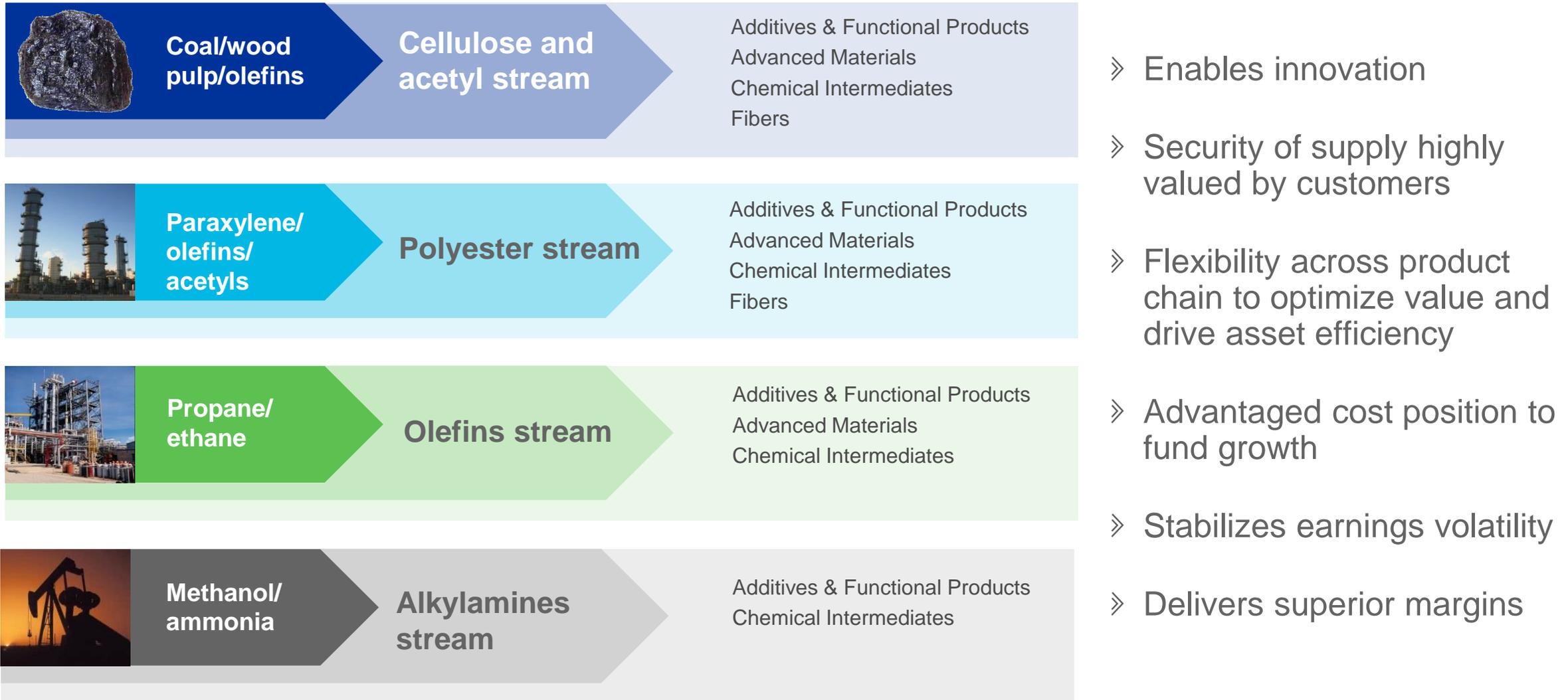
Thermoplastic conversion



Eastman innovation-driven growth model: Embracing and converting market complexity into sustainable value



Integration as a source of value creation on multiple dimensions



Building world-class growth capabilities and culture

Capabilities

- » Significant resource mix shift in technology towards application development
- » Large investment in commercial and marketing capabilities
 - » salesforce.com Customer Relationship Management platform
- » World-class product development and market activation process
- » Industry leaders in operational reliability

Culture



2014–2016



2016–2017



2012–2017



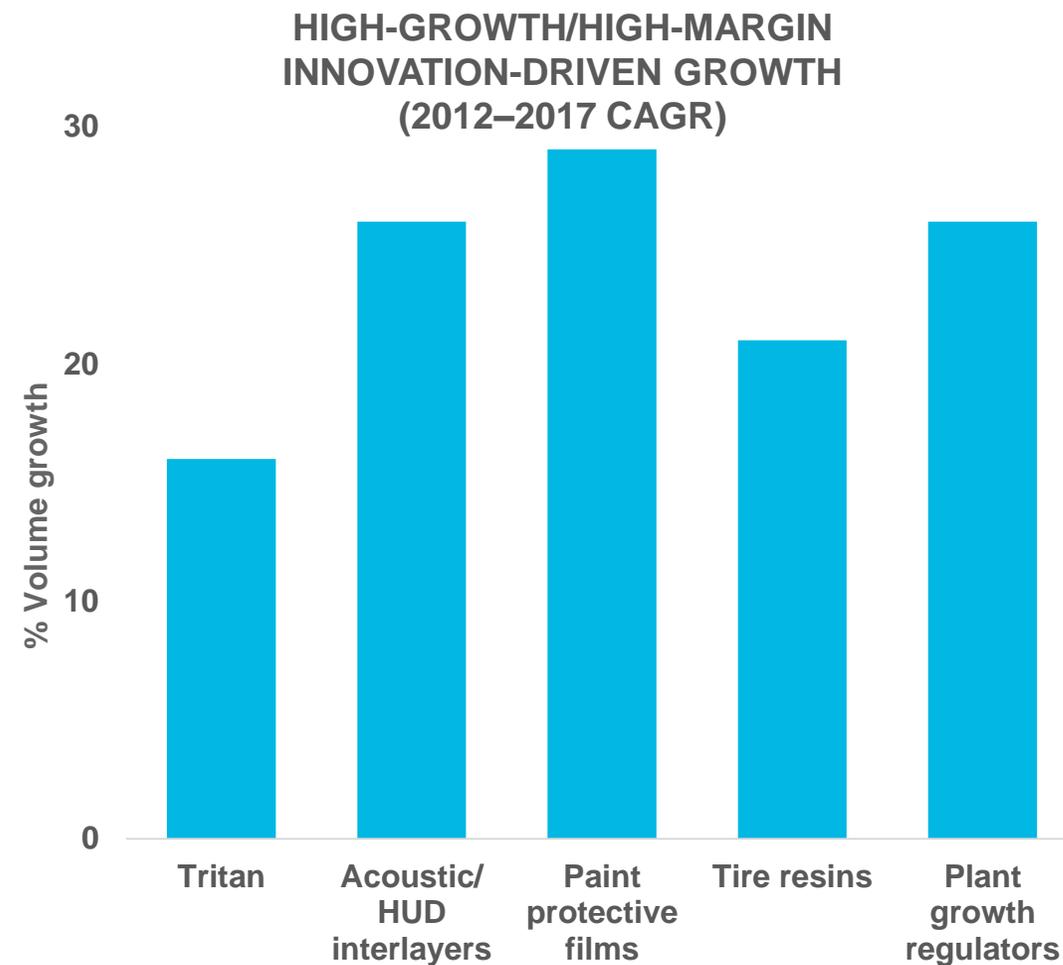
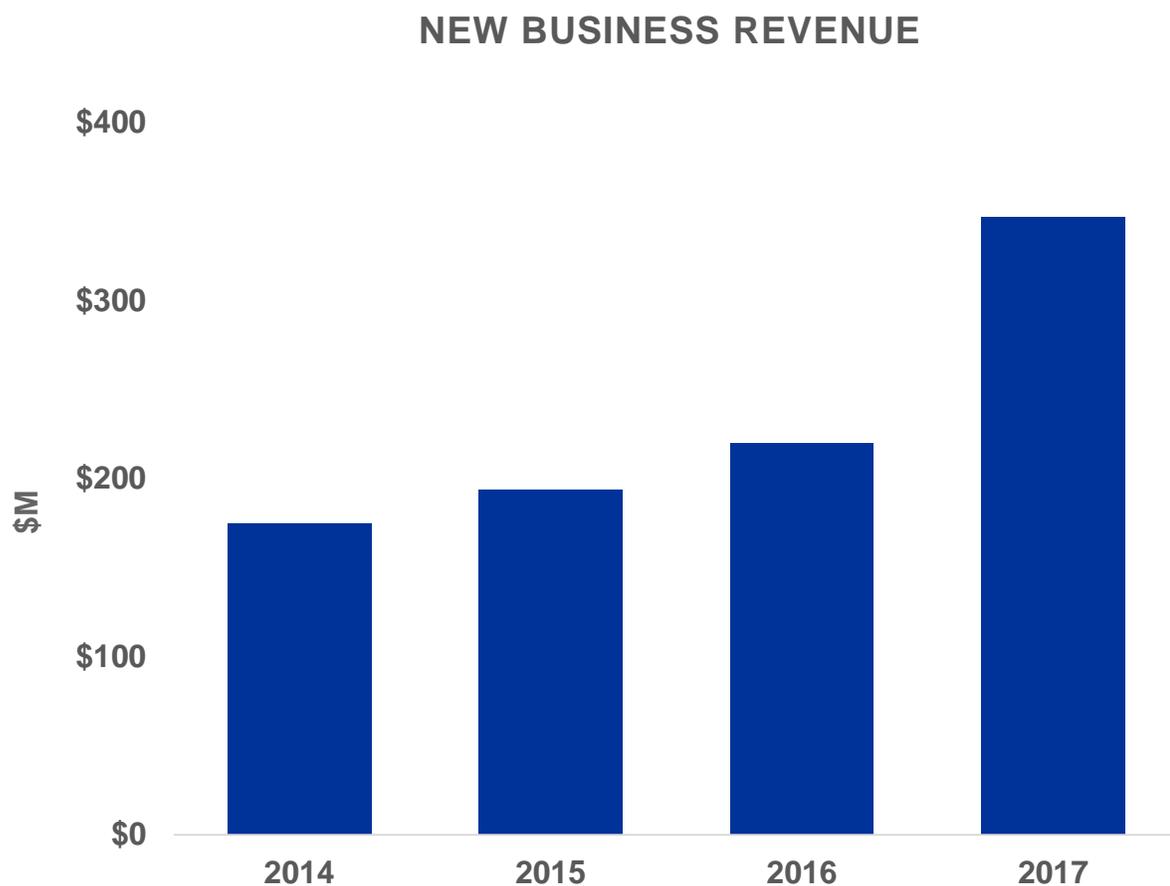
2017



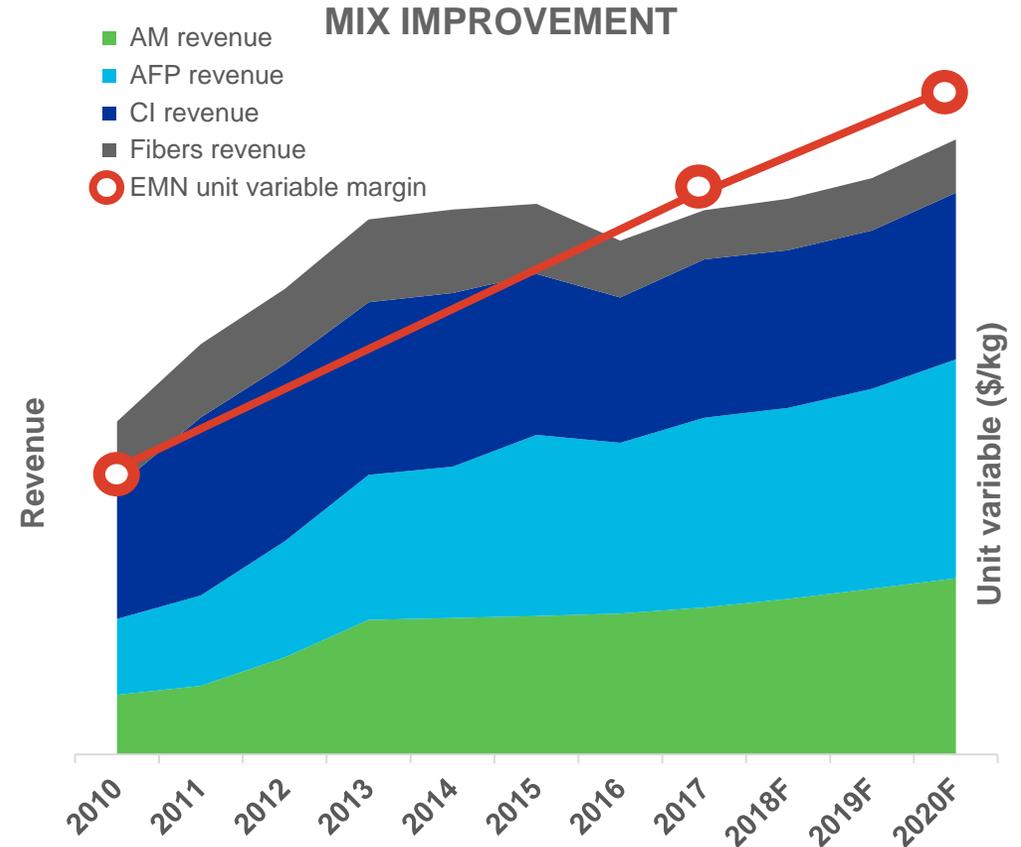
2012–2017



Innovation-driven growth model has delivered impressive growth at above corporate average margins



Accelerated earnings driven by mix upgrade through innovation-driven organic growth and portfolio upgrade

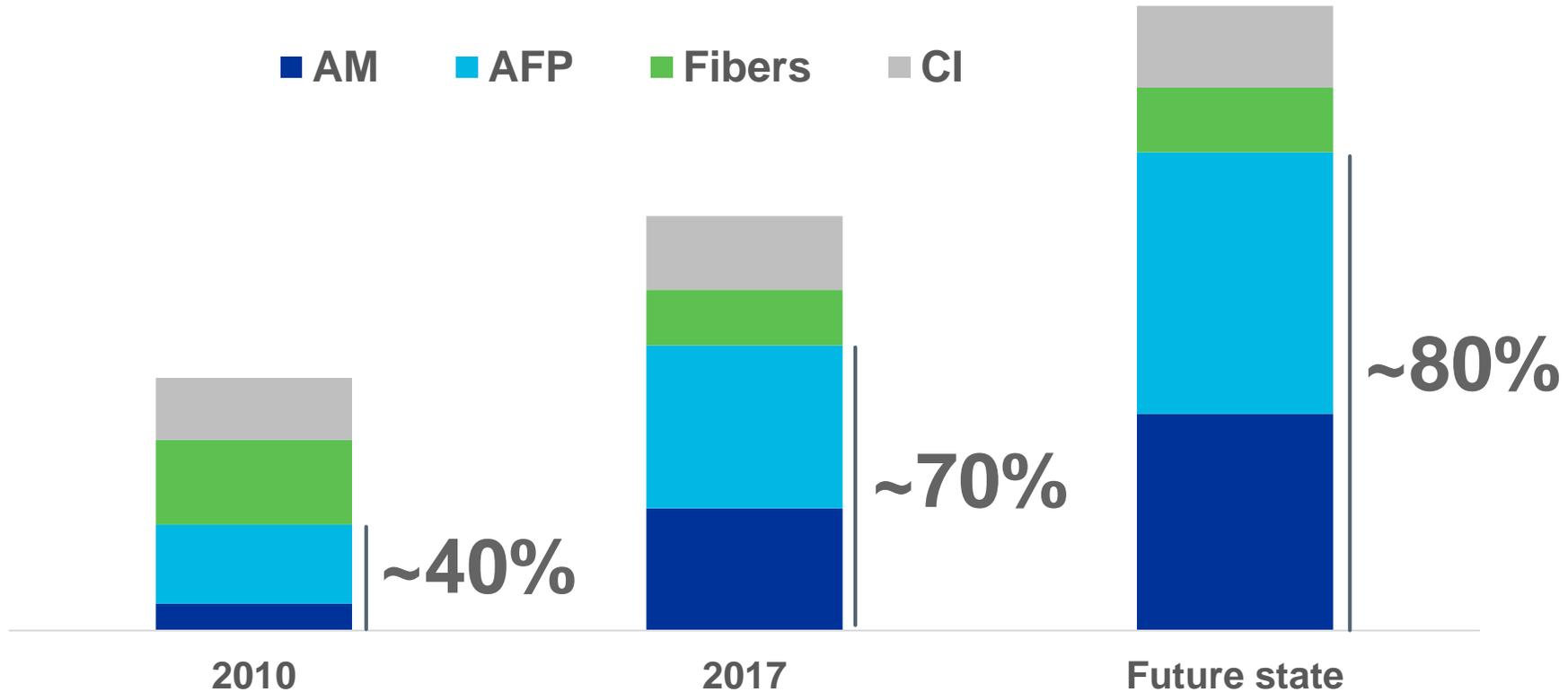


Structural changes result in variable margin that is ~50% higher than 2010



Actively driving portfolio to be ~80% specialty through innovation-driven organic growth and portfolio upgrade

OPERATING EARNINGS BY SEGMENT



Strong value creation expected going forward

Core **sales revenue growth** in line with end markets

Specialty products growing **>2x** underlying markets

23%
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