• Good morning and welcome to the Corporate Innovation session.
• I’m Steve Crawford, the Chief Technology Officer at Eastman.
• Our technology organization is centralized so we have responsibility for all R&D across the company as well as the strategic approach to Innovation.
• I personally have been with the company for more than 30 years.
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, for earnings per share, all dollar amounts are millions (“$M”) or billions (“$B”).

• I encourage you to take the time to read through our second slide
Today provides the opportunity to share with you the tremendous progress our teams have made in building a specialty portfolio of businesses.

Historically, Eastman would have been described as a diversified materials company with high quality products and industry leading operational reliability.

But today, we are much more.

We are confident Eastman is emerging as a leading Innovator in the materials space, creating superior value for our investors and improving the quality of life for us all in a material way.
We have changed 3 things significantly:

- First, we upgraded our portfolio of businesses by divesting approximately $3.5 billion of commodities revenue before 2012 and then acquiring greater than $4 billion of specialties revenue.
  - This drastically changed our entitlement to innovate which aligns with our growth aspirations.
- Second, we changed our focus on where we invested our R&D.
  - We shifted our R&D investment, shutting down multiple programs and reallocating resources on efforts in our core segments.
  - This improved our efficiency by increasing our innovation speed in platforms that had a much higher probability of success.
- Third, we established our innovation model which directed our focus to only areas where strong macro-drivers create persistent unmet needs in niche markets where our core technologies can deliver materials solutions.

Today our portfolio is robust, more than double the value with less programs than when we started the journey.

As a result, we are winning in the market with multiple new product launches from scalable platforms.
In the material space, 3 conditions must exist for a company to innovate and upgrade its portfolio through new product development:

- The first of these is market entitlement – are there macro-trends driving the need for innovation for the markets you serve? These include:
  - Global population growing by 80 million people per year
  - Global energy consumption increasing 20 percent each decade
  - Billions of people without enough food and clean water
  - A much more sophisticated consumer demanding advanced solutions that are free of product safety concerns.

- In fact, the needs the next generation faces cannot be solved any longer by assemblers and formulators alone.

- The problems must be solved at the molecular level through partnerships with innovative material suppliers like Eastman.

- For example, we see a number of our innovations as essential to enabling electronic vehicles to be successful.

- This is the next era of our industry and it provides a new opportunity for those who have technologies that link to these markets under stress.

- Today, these innovation drivers have enabled Eastman to focus our choices for investment and simplify our holistic growth portfolio, leading to innovation efficiency.

- Over 80% of our innovation programs connect to a compelling macro trend.
A second condition for innovation is when your technologies can be adapted and tuned to control functionality at the end-product.

Think about what problems can be solved with an abacus versus the financial models you build and the problems you solve today with your laptop.

The capability of the tools you use can greatly increase your potential to deliver solutions.

What we have discovered is not only is Eastman tied to markets with major problems needing to be solved, but our technology platforms are extremely tunable, adaptable and differentiated versus our competitors.

For example, our polyester technology platform has horizontal integration with acetyl and olefins and we can choose from a broad array of molecules to produce products that can be:

- thermoformed into an article and tuned to control chemical resistance, toughness and clarity
- formulated into a coating and tuned to improve scratch resistance, chemical resistance or weatherability
- spun into a fiber and tuned to improve moisture management and comfort

The product platforms we are launching have tremendous scalability so we can serve many applications and customers.
Eastman has 7 world-class technology platforms in which we are the leader in innovation.

In all cases, Eastman has a significant scale advantage and we have horizontal diversity and integration which enables innovation efficiency.

In our cellulose ester platform, we have two competitors that have similar scale but a very different configuration relative to our product slate, our assets and our market reach.

Our horizontal integration enables us to pull multiple intermediates from our olefin stream to produce five different product families, with hundreds of customized products that serve a broad spectrum of diversified applications across AM, AFP and Fibers.

We have assets that vary dramatically in capability and size - ranging from specialty small batch assets to large scale dedicated production facilities.

When you can leverage this scale in breadth and depth, it translates into a significant competitive advantage to deliver growth.

And the situation with our polyester platform is very similar.

In this case, Eastman only has one competitor which is half our scale, and here we are differentiated since we combine intermediates from our acetyl, olefin and polyester streams to set molecular design for hundreds of products controlling end use functionality for specific applications.

We rapidly prototype and scale to commercialization from the lab through small production lines to large-scale lines.

Like cellulose esters, this capability has been built through decades of investments in the polyester stream – we don’t believe anyone will replicate our diversity or our asset base.

And we have worked hard to protect our advantages, with more than 50 percent of our specialty product lines having intellectual property protection.
• However, even when market needs and your technologies align, monetizing the opportunity is difficult if not impossible if you don’t have application development as a differentiated capability.

• Throughout the morning you will hear about how this capability is essential to our success. Let me bring this to life for you.

• The textile industry is now one of our prioritized segments. When we engage with this market, we see:
  o Significant distress for innovations, even as it has almost grown by approximately 75 percent since 2000.
  o This growth has been driven by the emerging purchasing power of millennials.
  o And millennials are changing innovation priorities of brand owners.
    ▪ They expect more and have different priorities than the generation before them.
    ▪ For millennials, needs have changed. There are trends such as “home to street” and “trail to bar.”
    ▪ In the past, people would buy a product for a specific need.
    ▪ Millennials want one garment to be used for very different occasions.
Millennials also care about the environmental impact of the products they buy.
  - They care about what their garments are made of and what impacts the manufacture of them have on the environment.
  - They listen to and are educated by non-government organizations (NGOs) who provide them with labels and certifications.

As a result, millennials have a certain set of beliefs:
  - Some natural fibers consume too much water
  - Some use harsh chemicals
  - And some consume too much energy.

These beliefs impact buying behaviors, and millennials want it all:
  - They want comfort you historically get from a natural fiber
  - But they also want the performance that comes from a synthetic
  - And they want their clothes to be stylish
  - But above all, their clothes must be “green.”
And this creates opportunities for brands to differentiate, but they need help. In the textile value system, for years most of the innovation has been enabled by fabric designers blending off-the-shelf fibers and using coatings in varying formulations to balance properties like thermal and moisture management while also trying to provide comfort. But there is a point where all possible combinations of commercial fibers have been optimized. There have been no new breakthrough polymer introductions into the textile space for decades. At this point the brands need an innovative material supplier who understands consumer needs and converts that into product attributes that can control the functionality of their fabrics.
• So Eastman built that competency.
• We have been in the textile industry for decades with acetate yarn and, recent past, polyester fiber.
• But, we had not invested in fundamental capability or application development.
• In the last three years, we have invested to fundamentally understand how molecular design affects functionality in every step of the value system.
• For example, how does changing the polymer interact with spinning to create a fiber that when used in a specific fabric design can optimize properties a consumer cares about like wicking rate, cooling effect, and softness?
• And now we can prototype like companies in the value chain and we can test like the brands, unlocking the innovation potential of our technologies. This is the key to winning new applications.
• And it’s the critical component of our application development.
• Eastman had sold to customers in the textile market for years, but our addressable market had been limited due to processability and ease of care.
• Once the application development capability was in place, through molecular design we have now solved these problems enabling us to launch a new to the world textiles platform of products based on cellulose diacetate.
• Our new fibers have an improved set of properties that for a consumer enables fabrics that have performance like a synthetic, keeps the comfort of a natural fiber and has ease of care.
• And Naia™ is very sustainable, coming from an environmentally friendly chemistry where the basic raw material, wood pulp, is coming from sustainably managed forests which we certify to the OEM’s.
• In 2017, we commercialized greater than 50 new fibers, closed on more than 40 new customer opportunities and in the fourth quarter in the textiles market sales revenue increased by more than 30 percent year over year with higher than corporate average margins.
• And our teams are adaptable.
• Leveraging this same capability, we quickly recognized the opportunity to leverage our micro-fiber technology in the textile market.
• This opportunity is based on our polyester platform where we can design really small fibers with high surface area for moisture and thermal management and shape the fibers from flat to round to control softness.
• Again, now understanding fabric design, we quickly launched a new family of fabrics we call Avra™ in the performance apparel sector.
• Avra™ is a breakthrough in technology for the textile market, especially in performance wear and athleisure.
• As the chart shows, we can provide substantially better moisture management and much softer comfort at the same time.
• In fact, our latest fabrics proved to outperform the top selling performance garments on the market.
• We just got our first closed business with SPYDER. We have been chosen to be their next-to-skin fabric across multiple garment lines.
Both Naia™ and Avra™ are great examples of where advanced solutions can be provided through manipulating functionality at the molecular level. This model gives us entitlement to create our own growth.

Like every example you hear today, success requires all 3 elements of our innovation-driven growth model.

- We had to start with world class technologies to deliver superior performance fibers.
- We needed a market that was eager for innovation.
- But the key to our success is using our application development capability to engage the market at multiple levels.
  - We tuned the fiber to work in the fabric mills.
  - We worked with the garment manufacturer on how to address issues with making the garment.
  - Most importantly, we spent significant time with the brands showing them what is possible in actual garments including extensive testing to demonstrate the performance.
Non-woven / textiles is just one of 7 platforms we have built.
Brad Lich talked about how in Advanced Materials our multigenerational new technologies in functional films where we tune functionality like acoustic control or optical appearance in head-up display and Tritan which leverages our thermoplastic processing application platform.
Lucian Boldea will talk today about how In Additives & Functional Products, Eastman has innovated coatings formulation with Tetrashield™ and in tire additives where we are currently in launch with higher performing Crystex and we’ve leveraged hydrocarbon resins for tuning tire performance.
We have also built this capability in adhesives formulations and animal nutrition.
Of course, this is a global innovation network with 4 hubs in Asia, 3 in Europe and 7 in North America, with most of this capability being built since 2012.
I often get comments about the complexity of this slide, but if you are the technology leader at Eastman or an investor, this is a beautiful thing.

Innovation efficiency is all about focus.

We have now built 7 differentiated application platforms and we have chosen 7 technologies where we know we are world class.

And now with the platforms in place, both people and assets can be re-purposed again and again both optimizing investment and reducing time in new product development.

As I mentioned earlier, we have horizontal integration so multiple technologies can be used in a single product, but also, the efficiency of the model comes to life in 2 ways:

- We can leverage multiple application platforms to connect one technology platform to multiple niche markets enabling our technologies in new applications, AND
- We can drive multiple technologies through an application platform to increase our strategic relevance to our customer base.

I’ll demonstrate both approaches where we have already been successful.
In the middle of 2015, under the leadership of Mark Costa, we pulled a team together to diversify our cellulosic platform.

The team immediately went to work, with our innovation-driven growth model keeping them focused and giving them a head-start as our capability and market insight had grown exponentially.

By the end of last year, we had demonstrated success in the textile market as we just discussed, but we also had begun to generate initial sales of cellulosic materials in multiple new applications.

We leveraged our textiles / non-woven platform to not only launch Naia™ into textiles but we also launched a new to the world staple fiber we call Vestera™ into the non-woven segment as a specialty fiber for applications like wipes and facial masks.

Here our focus was large volume, with product attributes we tuned including softness, improved absorbency and embossing clarity.
• And late last year, Eastman launched a new-to-the-world cellulosic thermoplastic called Treva™.
• I know first-hand the plastics industry is undergoing change with strong macro-drivers like:
  o Pollution Concerns, end of life concerns, product safety concerns, and a strong drive for bio-content.
• Today, hundreds of millions of dollars are annually spent to solve these problems with demand expectations predicting the bio-plastics market alone needs to grow greater than 30% year over year over the next decade.
However, material solutions are not keeping pace and there are several reasons:

- First, it is just hard to develop a new to the world bio-plastic that performs in applications where incumbent plastics are entrenched.
- It is also expensive as fundamental research and development in a broad area has broad scopes and takes a lot of time.
- And there are fears of future findings for a new molecule. A company does not want to invest decades and significant capital into a new molecule to find during launch that the product has a material of concern.
- Scaling new molecules also prove to be problematic.
- And lastly, taking raw materials from the food system is concerning when we know population growth is already stretching a very constrained ecosystem.
• Regardless, companies that are committed to their Brand are demanding bio-based materials.
• Several brands have already established corporate goals that are forcing their suppliers to take notice and to search for solutions.
• In fact, some brands have stated publicly they will be 100 percent renewable by 2025 or 2030.
• Eastman is well positioned for this market
  o First, we have a bio-based polymer platform where we have been making products since the 1920s.
  o We were actually the first to introduce a polymer as a thermoplastic in the 1930s and helped build out thermoplastic conversion technology like injection molding over the last 80 years.
  o Our historical cellulosic polymers have great chemical resistance, weatherability, flow and they have a unique feel
• But Eastman’s thermoplastics also had performance issues especially in thin parts.
  o They were not dimensionally stable over time, and this really narrowed their potential addressable market.
• With our new focus, bio-polymers was an obvious place to invest.
• In 18 months from kick-off, the Eastman team delivered a new to the world bio-plastic which is completely dimensionally stable with historically great properties like chemical resistance, weatherability and flow. A 100 year problem was solved.
• The new chemistry is even more environmentally-friendly, coming from sustained forests rather than the food system and with greater than 45 percent bio-content and a reduced energy footprint.
• And we can make Treva™ at scale on our existing assets today.
- Treva™ provides solutions in markets applications like ophthalmics, electronics and automotive where sustainability leaders view bio-based solutions as a strategic imperative
  - We have more than 100 new opportunities we are working to close today.
- And this innovation has given us line of sight to an entire platform of products.
So now let’s talk about increasing our strategic importance with our customers by leveraging our broad toolkit of technology platforms to solve problems in a targeted application area.

A fully formulated adhesive for areas like hygiene, packaging or automotive has two main components: a base polymer and a tackifier.

We have sold tackifiers to formulators for 50 years but never participated as a polymer supplier.

In our new model as we relentlessly engaged the market, and gained insight across the entire value system, we realized the formulators are facing significant formulation challenges.

Historically, the base polymers were Elastomers but the raw material supply reliability had been very cyclical in this industry for years.

This has been driving the formulators to metallocene olefin polymers for more than a decade.

But today there are two more market drivers adding complexity.

The asset base for applying adhesives has become more sophisticated, demanding fully formulated solutions that could process faster and cleaner to minimize disruptions, as even a 5% change in processing rate is meaningful.

And in the Asia Pacific region, consumers are also demanding a low odor solution with an improved impurity profile.

Neither the historic polymer systems or the metallocene chemistry could deliver the full solution across all segments.
As we built out our customer-equivalent application expertise to optimize our tackifier resins, we quickly realized that our own olefin technology could be leveraged at the molecular level to solve these problems.

We developed an olefin polymer, complimentary to our tackifying resins, that opened the formulation window to allow great processing rates with phenomenal adhesion with substantially reduced odor.

We call this solution Aerafin™

And although we are early in launch, we have already received validation of this value proposition through multiple commercial sales.

The best part is that Aerafin™ repurposed our application platform and our olefin assets with minimal capital.

Next, we have concepts on how to leverage our polyester platform as well.

As important as the new growth is the fact that these innovations position us to be a strategic part of our customers’ success.
I’m very proud of the transformation Eastman has made. The broader Eastman organization has done a phenomenal job of operationalizing our innovation-driven growth model. We have made a dramatic shift in resources towards application development while reducing our process research resources. It has been a 60% shift since 2013. Today, 50 percent of our resources are focused on the 10 top innovation programs which is governed by our corporate innovation council stewarded by Brad, Lucian and Mark. And our total portfolio value has almost doubled with this greater focus.
And we have a multitude of new product platforms that are fully in launch and we are aggressively engaging the market to close business.

We are extremely confident in our ability to maintain differentiation our core segments and drive innovation to grow at twice the market.

We have already demonstrated success with this innovation-driven growth model.

- The model was first introduced in AM and we have proven we can deliver strong volume, mix and earnings growth.
- Application of the model is accelerating growth in AFP.
- And we are making great progress in filling out tow assets in Fibers.

In 2017, we delivered greater than $300 million in new business revenue which is very impressive when you consider this came out of the revenue of Advanced Materials and Additives & Functional Products primarily.

Our portfolio has never been this robust and I love seeing the commercial orders validate the potential.
• We believe that Eastman is emerging as a leading innovator in the material space.
• This is exciting for our team because they understand this strategy is great for our investors and also has a critical moral purpose which is to improve the quality of life for many in a material way.
• Thanks for your attention this morning. I look forward to your questions.