**Eastman Q1 2020 Financial Results Prepared Remarks**
**April 30, 2020**

**Greg Riddle—VP, Investor Relations & Corporate Affairs:** This document is the CEO's and CFO's prepared remarks for Eastman Chemical Company's first-quarter 2020 financial results. This is to be read in conjunction with the first-quarter financial results news release and the slides detailing our first-quarter financial results, both of which were publicly issued and posted on our website (investors.eastman.com) after the close of NYSE trading on April 30, 2020. On May 1, 2020, at 8:00 a.m. ET, Mark Costa, Board Chair and CEO, and Willie McLain, Senior Vice President and CFO, will host a public question-and-answer session with industry analysts that anyone can listen to on our website or by telephone as detailed in our financial results news release. This document and call/webcast that follows include certain forward-looking statements concerning our plans and expectations. Certain risks and uncertainties that may cause actual results to be different than our plans and expectations are or will be detailed in the company's first-quarter 2020 financial results news release, in the remarks in this document and during the call and in the accompanying slides, and in our filings with the Securities and Exchange Commission, including the Form 10-K filed for full-year 2019 and the Form 10-Q to be filed for first-quarter 2020. All earnings referenced in this presentation and the call/webcast exclude certain noncore and unusual items. 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 first-quarter financial results news release.

**Mark Costa—Board Chair & CEO:**

**Slide 3 – Thanks for being here.**

I want to begin by acknowledging that together, we are working our way through a very challenging time. The COVID-19 global pandemic is unlike anything we've seen in our lifetimes and in our company's 100-year history. And we've been through a lot – the Great Depression, a world war, regional conflicts, 9/11, the 2009 financial crisis, trade wars and much more in between. It's been said that character is revealed through adversity – and this is yet another opportunity to reveal who we are as individuals, as a company, as neighbors and as a society. What it's revealed to me is that we're all up to the task. I've been so thankful and humbled by the acts of kindness, courage, and resolve that I've seen around the world. To those in the healthcare community, our first responders, and our government leaders, I, on behalf of the men and women at Eastman, say a heartfelt thank you. Thank you for keeping us safe and being role models for all of us. Your work is inspiring.

On a personal note, I have also seen the Eastman team come together in tremendous ways to keep everyone safe, all while keeping our operations going. We continue to have thousands of dedicated employees who come to work every day at our manufacturing locations making vital products for our customers and consumers around the world. And many of these products I'm proud to say are helping in the fight against the virus, which I'll cover in a moment. To Eastman employees worldwide, including our operators, our mechanics, our electricians, and their families, thank you for your courage, your ingenuity, and your dedication. I also want to acknowledge our employees working from home, who are supporting our customers, managing our supply chain, analyzing our financials, and maintaining our IT infrastructure, among other critical business tasks. All of you are truly keeping Eastman going and making an incredible difference in a material way.

**Slide 4 – Update on current state of COVID-19 situation**

Moving on to how Eastman has responded to the COVID-19 pandemic. As the virus began to spread across the globe, we took immediate actions to ensure the safety of our employees globally, including social distancing and other health and safety measures consistent with the local guidelines at our sites. We put in place restrictions on travel and issued work-from-home guidelines. As Eastman sites around the world have been deemed essential, we continue to operate where demand conditions allow. We also have taken steps to enhance our strong balance sheet and maximize cash flow in 2020.

**Slide 5 – Eastman products are essential for our everyday lives and the fight against COVID-19**

In the graphic, you can see just a few of the products and end markets that are essential to our everyday lives and that are also helping in the fight against COVID-19. Eastman products have been going into medical applications for many years, but our polyester plastic products have been especially useful as face shields for healthcare workers. Just recently, through various partnerships with customers and academic institutions, we donated enough material to make face shields for hospitals in communities we serve. We also donated PETG copolyester resins to PRP Creation as part of an effort by cosmetics companies to produce bottles of hand sanitizer for health organizations in France. And as stay-at-home orders remain in effect in many parts of the world, we are hard at work continuing to make essential products that enhance the quality of life for our customers and communities. We serve end markets such as personal care and agriculture—markets that provide life-critical products to people all over the world. Whether soaps and sanitizers, or adhesives resins in your food packaging, we are proud to make a difference in the fight against this virus.

**Slide 6 – Proven innovation-driven growth model: The heart of how we win**

As we think about the impact of the pandemic on our business, we are leading from a position of strength with our innovation-driven growth model, which you hear me talk about regularly. The model itself is compelling and gives us significant resilience. The benefits – especially during this uncertain time – have never been clearer.

And this leads into the strengths that make Eastman unique and result in resilience in challenging environments like we are in now. Over the years, we have significantly transformed our portfolio toward specialties and built an outstanding innovation capability as well as a decisive operational execution capability within it. Eastman has industry-leading cash flow, which we have taken aggressive actions to sustain in the current environment; a strong balance sheet with no maturities this year and manageable maturities in 2021, and significant sources of liquidity with $850 million of cash on hand and greater than $1 billion remaining available from a revolving credit facility. At the top line, we have a proven track record in our specialty businesses of driving growth above end markets with our innovation-driven growth model. We also serve a diverse set of markets, which provides resiliency. And we've been disciplined on costs for many years, holding them flat in 2018 and accelerating cost reduction efforts into 2019 and 2020.  Over this same time, we've made significant investments in future R&D application development by doubling our application development resources and substantially increasing our customer engagement, while achieving efficiency in other functions to fund accelerated growth.  Also, we have invested in our business operating model to improve our customer engagement and our agility and effectiveness in our operating decisions. And our integration and scale accelerate innovation and enable security of supply. All in, we've made great progress strengthening the company, and you can see the evidence in the first-quarter earnings and cash flows.

**Willie McLain—Senior Vice President and CFO:**

**Slide 7 – 1Q 2020 financial results *Corporate***

Before I begin, I'd like to share my thanks for how the Eastman team has come together to think differently about how we can operate safely and efficiently in this rapidly changing environment. We have a very talented group of professionals at Eastman who work every day under unusual circumstances to find the best solution for any situation.

Now moving to corporate results. I'll start by saying we had a strong first quarter, with reduced trade tensions and despite the impact from COVID-19. This quarter demonstrates what Eastman can do when economic growth is moving towards a more normal level. Year over year, sales revenue decreased primarily due to lower selling prices, which reflected lower raw material and energy prices. Selling prices were also impacted by increased competitive activity, particularly in Chemical Intermediates and the tire additives and adhesives resins product lines in the Additives & Functional Products segment, where we are evaluating strategic alternatives. Sales volume modestly increased as growth in personal care and wellness, water treatment, agriculture, architectural coatings and consumables end markets was mostly offset by lower demand in transportation and textiles markets attributed to the COVID-19 pandemic, which created a $20-30 million EBIT headwind in the quarter. Overall, EBIT increased 8% due to the higher sales volume, improved spread and lower variable compensation cost, with the EBIT margin up 220 basis points year over year.

Turning to the segments and starting with Advanced Materials, which delivered another quarter of solid earnings. In specialty plastics, our innovation-driven growth model continues to create strong growth, particularly of Eastman Tritan™ copolyester, and we saw solid performance in the consumables market. Interlayers and performance films also had solid volume growth in January and February with their innovative acoustic, head-up display interlayers and paint protection films. Overall, we also did a great job of holding onto value as raw material prices declined. Unfortunately, this earnings growth across the segment was partially offset by the impact of COVID-19 causing March auto-related demand and volumes to drop, creating a $15-$20 million EBIT headwind. All in, another great performance demonstrating the power of our innovation model in a tough environment.

Additives & Functional Products also had a solid quarter, as the 2/3rds of the segment had very strong earnings growth. This was driven by strong volume growth in markets and products such as care chemicals, water treatment, adhesives resins, architectural coatings and food, feed, and agriculture products, each of which serves more resilient markets in the current environment. We also had stable selling prices enabling some benefit from the decline in raw material costs, except for where we had steady spreads due to cost-pass-through contracts. I would also note that this strong growth in the 2/3rds of AFP included offsetting headwinds in aviation and auto-related coatings in March. The earnings growth in the 2/3rds was offset by continued challenges in tire additives and adhesives resins in the 1/3rd of AFP due to competitive pressure and the addition of the COVID-19 crisis having a substantial impact on tire demand.

Fibers delivered earnings growth in the quarter as acetate tow volumes were stable, and we benefited from lower costs. This strength was somewhat offset by weakened demand in the textiles market attributed to COVID-19. Despite the near-term challenges in textiles, the business is positioned to drive growth due to the trend towards a circular economy.

Finally, Chemical Intermediates showed strong sequential earnings growth due to a seasonal improvement in the agriculture market in Europe and North America and growth in acetyls and plasticizers, lower shutdown costs, some recovery of spreads to last year’s levels and the first installment of technology licensing earnings. You’ll recall we mentioned technology licensing on our call in January, and this is an indication of the progress we are making.

Taken together, we delivered strong results across the company overcoming a difficult environment.

**Slide 8 – Strong balance sheet and a focus on maximizing cash**

We've taken strong actions to further strengthen our balance sheet and maximize cash in this environment. First, our cash balance stands at $850 million today, even higher than the end of first quarter, reflecting our strong start to the year on cash generation, our revolver draw of $400 million, and our $250 million term loan. We remain in compliance with our covenants including our recent liquidity actions and have proactively amended certain of the covenants and debt ratios of our revolving credit facility to reflect the uncertainty in the current environment, including changing the definition of maximum debt from gross debt to net debt and favorably adjusting the debt to EBITDA ratio through June of 2021. We do not have any public debt due in 2020 and debt maturities in 2021 are manageable. Our first-quarter free cash flow was $72 million, which is an impressive $183 million more than first-quarter 2019. Typically, our first quarter is a use of operating cash, but because we took quick action and did not build working capital like usual, we began to release cash from the balance sheet. This quarter's free cash flow is the highest first-quarter free cash flow in the last two decades for Eastman. Our quick and decisive actions to reduce raw material purchases and adjust our operations have enabled a substantial cash contribution from working capital, including large reductions in inventory. We are expecting reductions in working capital to be a source of over $250 million of cash beyond our original expectations for full-year 2020. These actions are a great example of the benefits we are creating from investments in our new business operating model. We are also reducing our capital expenditure plans to $325 million to $375 million for full-year 2020, down from $450 million to $475 million, which we think is prudent given the uncertain environment, and is near maintenance levels. The drop in this year's capital spending budget is approximately $100 million and we remain confident in our ability to deliver growth when economic activity picks back up. Please remember that we added a significant amount of capacity in Advanced Materials and Additives & Functional Products in 2018 in areas including Tritan™, advanced interlayers, and coatings additives. Some of the reduction this year simply is a delay of project end dates to better coincide with when demand is more likely to pick back up. For example, some growth projects in our performance films business have been delayed, but only by a few months, which enables spending to increase in 2021 and still meet the expectations when demand returns. On the manufacturing side, we are postponing some reliability projects while still addressing safety, environmental, and short-term maintenance and reliability needs in our facilities.

One note on the reduction of inventory. As I mentioned, we are on a path to maximize free cash flow this year, which includes adjusting our manufacturing operations to match our current demand outlook and rebalance inventory levels. Especially in our transportation-related businesses, we have reduced our operations substantially, temporarily idling several plants, running manufacturing campaigns at other plants, and reducing utilization rates. While it is very difficult to project demand levels in the coming quarters, we do expect that reduced operating rates and inventory management will create a significant capacity utilization headwind this year, and particularly in the second quarter and most pronounced in Advanced Materials. We also increased cash-focused cost reduction actions to approximately $150 million, which are shown in a subsequent slide.

**Mark Costa—Board Chair & CEO:**

**Slide 9 – Diverse end markets mitigate impact of COVID-19 pandemic**

Now turning to our guidance for 2020. Given all of the uncertainty related to COVID-19, it is extremely challenging to project financial results in 2020. We did see some impact in the first quarter as we attribute an EBIT decline of between $20-$30 million to the impact of COVID-19. As we look forward, we first wanted to share what we are seeing in our end markets. Our most impacted markets are transportation, textiles, and energy. Please remember that transportation consists of autos, tires and aviation fluids. We are seeing the impact that started in March continue in the second quarter with sales to the transportation market down in April about 40% below March. Moving forward to inform our production and inventory choices, we are assuming a forecast with auto OEM builds down 50% sequentially for the quarter, which is on the conservative side of the range of many industry consultants. That said, we expect to be somewhat better than the market because of innovation, our advantaged market positions, and some regional and specific end-market product mix.  In addition, we are expecting significant demand headwinds in aviation and tires, which will be more challenging than autos.

On the positive side, we have a number of markets that we expect would perform favorably in this environment, including consumables, medical, food, feed and ag, personal care and wellness, water treatment, and tobacco.  We've seen them perform well in the first quarter and expect that would continue.  In this area, sequential demand from March to April is approximately flat, and we expect demand to hold up relatively well through the quarter. Consumables have benefitted from stockpiling in the near-term, but once that's behind us, we expect demand in this market to slow but still be relatively stable.

The third set of markets is expected to be mixed as we go through the year and includes building and construction, consumer durables, electronics and industrial chemicals and processing.  In this area, sequential demand from March to April is down approximately 15% and the demand trend for the rest of the quarter is uncertain. Building and construction, electronics, and consumer durables were solid in the first quarter and in April, but these markets are likely to be more challenged the longer the current environment continues. In Chemical Intermediates, we are expecting demand to be challenged as the low oil price environment limits our ability to export some olefin products.

To be clear, these are assumptions that we are making to inform our operational strategies across the company. None of us know what will actually happen as we work to restart economies across the globe. We can take some insight and hope from the recovery we are seeing in China, but we are far from having clear visibility into how North America and Europe will restart. We will provide an update within the quarter on what we are seeing once we have more insight.

Even though we all face a high level of uncertainty, we are benefitting from the diversity of our end markets, which helps to mitigate the impact of the pandemic.

**Slide 10 – Reducing 2020 costs by ~$150 million in response to financial impact of COVID-19**

Moving next to the cost actions we are taking in response to the financial impact of the virus. Once we started to see the impact in China and then Asia, and as it spread west to Europe and then the U.S., we moved quickly to reduce costs with a focus on cash generation. There are three areas that we focused on. The first is we've adjusted our operations to the current demand environment and are working to release cash aggressively out of inventory. We have reduced our operations substantially, temporarily idling several facilities, campaigning at others, and reducing utilization at others. As we move forward, we will be guided, as we have been, by end-market demand for Eastman products. The most impacted sites serve the transportation and textiles markets. We are also slowing down other plants across the company to release cash and follow demand, but not to the extent of our actions in the transportation and textiles markets. Second, we have significantly reduced discretionary spending. For example, travel and entertainment is at near-zero levels. And, we have dramatically reduced professional fees and other external expenses. Lastly, we have deferred some turnarounds of manufacturing assets to protect employees and contractors during this crisis. All together, we now expect to reduce costs by approximately $150 million net of inflation this year. While a good portion of these cost reductions are demand-related, you'll recall we said back in January that we expected to structurally reduce costs by between $20 and $40 million this year, and by greater than $100 million over the next three years. We've pulled some of this forward and expect to retain it going forward.

**Slide 11 – Well-positioned to manage in an uncertain environment**

We are well positioned to manage in this uncertain environment and are focused on the actions we can control. First, we expect to gain some stability from our diverse end markets and are leveraging our strong customer engagement and innovation. Many of our customers continue to work on innovation with us virtually, especially in our new circular economy offerings. Second, we are taking significant cost actions in response to the financial impact of the virus. Third, we expect strong free cash flow this year with working capital expected to be a source of greater than $250 million beyond our previous expectations. Fourth, we've reduced our planned capital expenditures by approximately $100 million for the year to a range of $325-$375 million. And finally, we will maintain our disciplined approach to capital allocation, with a focus on our strong dividend and on significant debt repayment, which we now expect will be substantially greater than $400 million for the year.

While it's impossible to know how long this crisis will last, what I do know is that we will get through this together and come out on the other side an even stronger company. When that day comes – as we know it will – Eastman will be poised to create even more of our own growth through innovation and leadership in specialty markets. In the meantime, we continue to focus on what we can control, and remain committed to long-term attractive earnings growth and sustainable value creation for our owners and for all our stakeholders.