Eastman Q2 2020 Financial Results Prepared Remarks

August 3, 2020

Greg Riddle—VP, Investor Relations & Corporate Affairs:

Slides 1 and 2:

This document is the CEO's and CFO's prepared remarks for Eastman Chemical Company's second-quarter 2020 financial results. This is to be read with the second-quarter financial results news release and the slides detailing our second-quarter financial results, both of which were publicly issued and posted on our website (investors.eastman.com) after the close of NYSE trading on August 3, 2020. On August 4, 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, the accompanying slides, and the 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 second-quarter 2020 financial results news release, in the remarks in this document, and in the accompanying slides, and during the call, and in our filings with the Securities and Exchange Commission, including the Form 10-Q filed for first-quarter 2020 and the Form 10-Q to be filed for second-quarter 2020. All earnings referenced in this presentation, the accompanying slides, 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 second-quarter 2020 financial results news release.

Mark Costa—Board Chair & CEO:

Slide 3 – Update on Eastman response to COVID-19

The first half of 2020 has been unprecedented given the serious threat to health and safety, the reminders of racism that exist in our society and the need for positive change, the incredible amount of economic volatility, and the lingering uncertainty that confronts all of us. COVID-19 was unexpected, and as the impact became more and more significant, we all were required to act. Our first responders and the healthcare community have been, and continue to be, on the front line of the response, and on behalf of the women and men of Eastman, I once again say thank you.

But the response didn't stop there – our Eastman team continues to navigate through this environment in an exceptional way. This begins with a focus on the health and safety of our employees around the world. Our COVID-19 response team has done an amazing job developing and implementing a strategy to limit the impact on the health and safety of our employees. As a result, we've been able to maintain the operational integrity of our global operations, which is critical to our ability to provide vital products to our customers and consumers. All of our facilities have run without disruption where demand supports it, and we remain diligent on this front. We also are in the process of implementing a staged approach focused on health and safety to bring those that are working from home on certain business tasks back to our business centers. Having employees back in their workplaces around the world is key to our innovation-driven culture.

Finally, I'd also like to acknowledge the great work being done by our Eastman Foundation. Our Foundation is driven by a focus of doing "Good for Good," and in an environment like this, there is a lot to be done. The Foundation has committed more than $1 million to support the global response and recovery from COVID-19 in the communities in which we operate. These funds are directed toward food and shelter for those in need, medical supplies, personal protective equipment to prevent the spread of the virus, public health services, general economic support, and more.

Slide 4 – Second-quarter 2020 highlights

We had a number of highlights in the second quarter as we managed the impact of COVID-19, starting with cash flow, which we told you back on our first-quarter call is our priority for the year. In February, we saw the emerging challenges in front of us and started taking action. We adjusted operating rates to mitigate the normal inventory build in the first quarter to serve second-quarter demand levels. By late March and early April, we were taking significant actions to focus on free cash flow this year, substantially reducing inventory and driving working capital to be a source of more than $250 million of cash flow beyond our previous expectations. Even though revenue was improving in June, we chose to take additional inventory management actions with our focus on free cash flow generation. In addition, we have reduced our planned capital expenditures for 2020 by approximately $100 million. This focus on cash generation has resulted in first-half free cash flow of $411 million, which is 88% higher than the first half of last year and $4 million shy of the best first-half free cash flow ever in 2015.

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, and the second quarter was no exception with a limited volume decline compared to our end markets. We also serve a diverse set of end markets, and although visibility remains somewhat limited, diversity has provided us significant resiliency.

Leveraging our position as the leader in the circular economy, we had an important milestone with the introduction of our Tritan™ Renew during the quarter, which is further described in a later slide.

Our focus on cost management continues, with an expectation to reduce short-term costs by approximately $150 million in 2020, of which we expect about $50 million to be structural. We also are accelerating our transformation program that we announced in April to deliver an additional $100 million of structural cost reductions by the end of the year, and we have at least another $100 million of reductions over the next few years.

I want to point out that while COVID-19 has caused us to shift some priorities this year, we are not backing off of our commitment to drive a more inclusive culture and diverse workforce, which is a deeply held core value and critical to our success in driving our growth strategy. At Eastman, we recognize the significant obligation we have to make a material difference within our company and society. This is not just good for business; it is the right thing to do. During the quarter we took steps to strengthen our efforts to build more inclusive teams by increasing efforts to mitigate the impacts of unconscious bias and expanding resources to equip employees for their role in driving a more inclusive culture. We also are continuing to invest in programs to hire, develop, and retain diverse talent to increase representation at all levels. We are making progress and have much more work to do to ensure every team member can show up and contribute fully at work and in their communities.

Finally, our employees have done an outstanding job through the year. They've gone above and beyond, working long hours many times in difficult conditions and most importantly have been diligent to keep themselves and their fellow employees safe.

Slide 5 – Diverse end markets mitigate impact of COVID-19

In the first half, we realized the benefits of a diverse set of end markets. Although we know more today than we did back in April, visibility remains limited. With that said, this slide is an update of what we included in our first-quarter conference call and provides some insight into what we are seeing in our end markets. You'll recall that back in April, we segmented our end markets into three categories: resilient, most impacted, and mixed impact over time. The line graph shows you how these three areas have performed year to date, including July. The most resilient and largest set of end markets has performed as expected with strength, especially consumables, packaging, personal care, heat transfer fluids, animal nutrition formulations and water treatment. Some of this strength was driven by the underlying stability of these end markets and our innovation. And some was driven by customer inventory stocking related to COVID-19 and, as expected, we are seeing some moderation as people move back to more

normal life. The most impacted end markets declined significantly in April and May and are beginning to recover in June and July. This is particularly true for transportation end markets, including tires additives, interlayers, and coating additives. I would highlight that our innovation, strong customer engagement and sophisticated market segmentation choices enabled us to decline much less than the underlying markets. Auto OEM builds were down approximately 45% year over year in the second quarter, while our auto-related variable margin was only down 33%. We are encouraged by the recovery we are seeing in auto production and tires. However, aviation fluids are not yet seeing a recovery as air travel remains weak and auto refinish may also have a somewhat slower rate of recovery. The last segment is the mixed impact end markets such as building & construction, consumer durables, electronics, industrial chemicals and processing, which also bottomed in May and are now recovering. Residential building and construction performed well through the second quarter, but commercial construction was more challenged and is likely to be slower in its recovery. Consumer durables is already showing recovery in June and July. When you put it all together, our volume increased by 8% in June over May, and the trend of recovery continued through July with another 4% increase compared with June. August is looking similar to July, which is good compared to normal seasonal declines. Obviously, there is tremendous uncertainty, especially with the resurgence of COVID-19 in the U.S., but given what we know today it looks like a bottom was reached in May.

Slide 6 – Tritan™ Renew

Moving next to progress we are making on innovation. Despite the impact of COVID-19, we've been able to maintain our focus on innovation, and customers are continuing to engage with us, albeit virtually for the time being. Work is progressing in a number of areas, including on our circular economy initiatives. I'm gratified by the number of customers that have chosen to continue to engage with us on innovation despite all the distractions presented by the current environment. This is a testament to the strength of our innovation-driven growth model and depth of our customer engagement.

During the second quarter, we launched Tritan™ Renew. This is a significant step forward for Eastman and is the first product to market using molecular recycling made possible by Eastman's Advanced Circular Recycling Technologies. You'll recall I first spoke about our molecular recycling technologies last year during our third-quarter call, and we've made remarkable progress since then. These technologies – both Carbon Renewal Technology (CRT) and Polyester Renewal Technology (PRT) – have a lower carbon footprint than production processes for products made from fossil-fuel based raw materials and can return plastic waste, carpet and textiles to their molecular form an infinite number of times, creating the possibility for a truly circular future.

Tritan™ Renew has the same durability, performance and safety of the original Tritan™, but with 50 percent recycled content. The recycled content is certified by the International Sustainability & Carbon Certification, or ISCC, which is well known in this space. Markets for Tritan™ Renew include durables such as reusable sport bottles, small appliances, food storage containers, eyewear, and more. For every reusable sport bottle that is produced, the equivalent of 8 single-use bottles are recycled. We already have a number of brand owners using Tritan™ Renew, including CamelBak and Nalgene. And with this product introduction, I remain confident that over the next several years revenue from our molecular recycling technologies will be in the $200 to $300 million range, with significant upside from there.

Willie McLain—Senior Vice President and CFO:

Slide 7 – 2Q20 financial results

I'll start by adding my thanks to Eastman people around the world for their extraordinary efforts during this challenging, uncertain time. Never have I been more convinced of the determination, adaptability, and talent of the Eastman team around the world.

Moving to the corporate results, while the second quarter was challenging on many levels, our free cash flow performance was better than our expectations back in April while our earnings performance was similar to our expectations. Beginning with the year-over-year comparison,

sales volume and the impact of product mix was down 13% year over year, driven by declines for products used in end markets most impacted by COVID-19, including transportation, building & construction, consumer durables, and textiles. Selling prices declined largely due to lower raw material prices and to a much lesser extent some competitive activity including in the 1/3rd of Additives & Functional Products and some products in Chemical Intermediates. EBIT declined due to lower sales volume and less favorable product mix as well as lower capacity utilization, with the lower capacity utilization attributed both to lower sales volume and an inventory reduction due to our focus on maximizing cash generation reducing EBIT by approximately $140 million. The impact of the lower capacity utilization was partially offset by $60 million of short-term cost reduction actions in response to COVID-19, including adjusted operations, idling plants, reducing contractors, reducing discretionary spending, and deferring all non-critical expenditures. Overall, spreads were relatively unchanged with lower selling prices offset by lower raw material and energy costs.

Looking at the corporate results sequential comparison, sales volume and the impact of product mix combined was down 12% which compares to our April projection of down 15% versus March. As with the year-over-year decline, the biggest contributor was weakened demand in end markets most impacted by COVID-19, including transportation, building & construction, consumer durables, and textiles markets. EBIT declined due to the lower sales volume, less favorable product mix, and lower capacity utilization, partially offset by reduced costs resulting from actions in response to COVID-19. While volumes came in better than we expected, we chose to take further action on our inventory controls as we remain focused on free cash flow. The lower capacity utilization resulted in an approximately $120 million headwind versus the first quarter, of which about half was related to inventory reductions and the other half due to the reduced demand levels. Sequentially, we reduced inventory by about 15% in the second quarter compared with the first, and on a second-quarter year-over-year basis, operating rates were negatively impacted by approximately 25% due to changes in inventory levels. Looking forward to the third quarter, we would expect less impact from lower utilization rates as we ramp up production at idled facilities. This improvement will be somewhat offset by higher

planned maintenance turnaround costs of approximately $10 million and a sequentially lower benefit from cost reduction actions.

I'll review results in the segments next, focusing on the sequential comparison and starting with Advanced Materials. Sales revenue declined 8% sequentially, mostly due to lower sales volume and less favorable product mix attributed to reduced demand for products sold in the transportation market. I consider this to be very strong performance in a period during which we estimate global auto builds were down approximately 35% sequentially. One reason for this performance is the resilience of our specialty plastics products lines, where revenue increased sequentially as they benefitted from strong demand for packaging due to consumers stocking up as well as demand for personal protection equipment (PPE), both related to COVID-19. In addition, sales revenue in performance films was outstanding relative to the transportation end market, with June being a record month for the business as they benefitted from strong channel positions in after-market shops and automotive dealerships in North America and China coupled with industry-leading innovative products. Our auto-related businesses, while being negatively impacted by COVID-19, also outperformed their end markets due to improved product mix from our innovation and sophisticated market segmenting strategies. The common theme across Advanced Materials is the focus on innovation and market development, which continues to enable outperformance compared to their end markets. A significant headwind for EBIT in the quarter was the impact of lower utilization, of which approximately half of the corporate headwind was in this segment. Advanced Materials idled a number of stand-alone plants that are primarily exposed to transportation end markets. Looking forward to the third quarter, sales volume is expected to increase as demand in the transportation market begins to recover from second-quarter levels. In addition, results in specialty plastics are expected to remain solid. The headwind from lower capacity utilization and second-quarter period costs is expected to decline by between $30 to $35 million, as plants ramp up to serve recovering demand. As a result, sales revenue, EBIT, and EBIT margins are expected to be higher in the third quarter compared with the first quarter.

Additives & Functional Products sales revenue increased in the first quarter by 8% compared with the fourth quarter, as the segment demonstrated resilience and more than offset a limited impact from COVID-19. As a result, the second to first quarter comparison is more challenging with sales revenue declining 17%, almost all due to lower sales volume and less favorable product mix attributed to weakened demand in the transportation market for aviation fluids, coatings additives, and tire additives attributed to the impact of COVID-19. This was partially offset by resilient demand in the care chemicals and consumables end-markets. EBIT declined due to lower sales volume, less favorable product mix and lower capacity utilization rates, partially offset by the impact of cost reduction actions. Looking forward to the third quarter, demand is expected to begin to recover for tire and coatings additives as the automotive market improves, while demand for aviation fluids is expected to remain at low levels due to the impact of COVID-19 on air travel. In addition, demand for care chemicals and products for consumables end markets is expected to moderate to more normal levels after being higher from the impact of COVID-19. The headwinds related to lower capacity utilization are expected to moderate, but not to the same level as in Advanced Materials. As a result, we expect solid earnings growth sequentially for AFP.

Chemical Intermediates sales revenue declined 22% sequentially primarily due to lower sales volume attributed to the negative impact on demand of COVID-19 and lower Brent crude oil prices resulting in U.S. olefin products being less competitive globally. Prices also declined due to lower raw material prices. EBIT declined due to lower sales volume and reduced capacity utilization. The lower capacity utilization was mostly offset by the impact of cost reduction actions. In the third quarter, sales volume is expected to be about flat as seasonality in the agriculture market resulting in lower demand for functional amines products as well as customer maintenance outages across a range of products are roughly offset by recovering demand in building & construction and industrial end markets. In addition, planned turnarounds that were deferred to the second half of the year from the first half due to safety concerns related to COVID-19 are expected to more than offset improvements in capacity utilization.

Finishing up the segment review with Fibers, sales revenue was flat sequentially while EBIT declined due to lower capacity utilization that was partially offset by the impact of cost reduction actions. Looking ahead, sales volume is expected to moderate due to lower tow sales attributed to customer buying patterns and discontinuation of a tobacco specialty product, partially offset by a modest demand recovery in textiles end markets.

Slide 8 – Balance sheet and cash generation are sources of strength

As mentioned a few times, our primary financial goal this year is delivering excellent free cash flow. With our first half results, I am confident that we can generate greater than $1 billion in free cash flow this year. We have remained disciplined in our operational choices and we continue to expect working capital to be a significant source of cash this year. I'd add that with the strong performance in the first half of the year, while working capital is expected to be a source of cash in the back half of the year, we don't expect it to be at historic levels. Turning to capital allocation, we expect to use our cash to fund our dividend and reduce net debt by greater than $600 million this year. Share repurchases were $30 million in the second quarter, which offset dilution. We do not expect to repurchase additional shares in the second half of 2020.

In March and April, as a precautionary measure due to increased financial market volatility resulting from COVID-19, the company took certain liquidity actions, including borrowing $400 million under its existing revolving credit agreement and $250 million under a new 364-day term loan agreement. The company has subsequently repaid the entire $400 million revolving credit agreement borrowings. As previously reported, in April the company amended the covenants of its loan agreements to reflect higher cash balances and the expected negative impact on operating results of COVID-19. In the first half of 2020, the company reduced net debt by $149 million and ended the second quarter with $704 million of cash and cash equivalents.

Slide 9 – On track to reduce 2020 costs by ~$150 million in response to financial impact of COVID-19

Back in April, we reviewed specific actions we are taking in response to the impact of COVID-19. We outlined approximately $150 million in cost actions in 2020, of which about one-third were structural and the other two-thirds were to provide a one-time benefit in 2020. In the second quarter, we reduced about $60 million of costs in three areas. The first area we focused on is adjusting our operations to the demand environment while also releasing cash from inventory. We've done a great job in both and expect the need to adjust operations will moderate through the second half of the year as demand recovers. The second area we focused on is discretionary spending, which we have aggressively reduced. While we expect spending to increase as volume recovers in the back half of the year, we continue to expect that discretionary spending will remain below year-ago levels through the end of the year. The third area was deferring some turnarounds of manufacturing assets into next year to protect employees and contractors during the COVID-19 pandemic. While we expect the impact of the cost actions we have taken will moderate in the second half of the year, resulting in the second quarter having the highest impact and the fourth quarter the lowest impact, we remain on track for approximately $150 million of cost reductions in 2020.

Mark Costa—Board Chair & CEO:

Slide 10 – 2020 Outlook

Turning next to our 2020 outlook. First, I'll reiterate that the Eastman team is doing an outstanding job of navigating this challenging unprecedented environment, delivering solid performance in this difficult context and positioning us for compelling growth beyond this year. Looking at the resilience of our revenue in the first half of the year, you can see the benefit of our end-market diversity and of our innovation-driven growth model which, for example, contributed to record revenue for Performance Films in June with global auto builds still down 45% relative to last year. And while visibility remains limited, what we can see gives us confidence that the second quarter was a bottom. We have some tailwinds as we transition to

the back half of the year, including a good start to the quarter with July volume up 4% compared with June. In addition, we are expecting a moderating impact of lower capacity utilization as demand improves. In the second quarter, the sequential cost from the lower capacity utilization – including releasing cash from inventory, idling facilities, and lower production rates – was approximately $120 million. We expect this will decline by about half in the third quarter and will be partially offset by increased maintenance spending of $10 million and a moderation of the impact from cost reduction actions sequentially, as we bring back some of our operations. Advanced Materials will have the biggest impact from a lower level of cost related to lower capacity utilization, at between $30 and $35 million for the quarter; Additives & Functional Products will see some benefit; and Chemical Intermediates will face a net headwind as the impact of higher maintenance shutdowns will more than offset the tailwind from higher capacity utilization. The third quarter is off to a strong start, as we benefit from volume recovery and start to realize the benefits of the inventory management actions we took in the second quarter. As a result, we expect a substantial, sequential increase in earnings. Most importantly, we are maintaining our emphasis on cash generation, which remains our priority for the year. Building on a very strong start in the first half of the year, we are on track to generate over $1 billion free cash flow for the full year, with a reduction in working capital a source of more than $250 million of cash beyond our original expectations. Given the continuing uncertainty related to COVID-19, we are not providing 2020 earnings guidance. That said, an additional benefit of our aggressive inventory management this year is that it positions us well for strong earnings growth in 2021.

Slide 11 – Significant progress building innovation and commercial capability

We remain focused on accelerating our transformational journey, and are positioning Eastman for strong, innovation-driven growth as the economy recovers. One important aspect of doing this is strengthening our capabilities, and we've made great progress in this area. Back in April, I talked about how the implementation of a new business operating model over the last two years has dramatically enhanced our decision making to deliver growth and better manage costs. This new model was essential in enabling the rapid decision making and execution that delivered a very strong performance in the first quarter as the trade war stabilized and allowed

us to make a hard pivot in response to the dramatic fall in demand related to the COVID-19 crisis. Through the second quarter, we were able to outperform declines in end-market demand and manage our pricing incredibly well in the specialties. We are now moving into Phase 2 of our business operating model implementation, which will further align and streamline the organization, enabling accelerated execution of our innovation-driven growth strategies that are key when the global economy improves. We also are continuing our investment in digitization across the enterprise, and this includes customer relationship management (CRM) tools that are significantly enhancing our customer engagement. We are seeing signs of increased engagement this year as customers are continuing to innovate with us virtually, and we expect to build on this in the coming years. Finally, while we are aggressively managing costs, we are continuing to increase investment in innovation, especially our application development capability. We now have proven that these investments are resulting in accelerating commercialization of innovation programs, and an example is this year we've grown faster than our underlying end markets. Continuing success with commercializing our innovation programs will be key to our growth in the coming years, and we will continue to invest in it.

Slide 12 – Taking additional actions to improve competitiveness and increase value creation

In addition to the progress we've made building our commercial capability, we are taking significant actions to improve competitiveness and increase value creation. We already have a proven track record in this area, having consistently removed costs over the last five years to fund our innovation. For 2020, we believe approximately $50 million of the short-term actions will become structural in 2021. In order to have a flat cost structure into 2021, we are building on these actions to remove another $100 million in structural costs. And, we see greater than $100 million in additional costs beyond 2021. Through the remainder of this year and in the next few years, we will pick up the pace through a number of actions, with our primary focus on:

- Operations transformation, including network optimization, which includes leveraging digital tools for supply chain optimization of warehouses, routes and transportation.

- Manufacturing and maintenance, which is improving capabilities in reliability, work execution, and turnaround performance.

Underpinning these efforts is an Organizational Design effort that will consider the structure and capabilities required to ensure the strategic effectiveness of the integrated organization.

Site optimization is a part of this effort as well. We've already announced the discontinuation of certain product lines at our Singapore manufacturing site, which we project will have cost savings of approximately $25 million beginning in 2021. In addition, we are closing certain sites in Asia Pacific and North America as we continuously evaluate our global manufacturing footprint. Some of the actions we are taking serve the 1/3rd of AFP segment revenue identified for improvement actions, and we expect more activity in this area. In total, these actions will reduce our cost footprint by greater than $50 million. All in, we expect these actions will remove structural costs that are greater than $200 million by the end of 2022, with a significant impact on 2021. I want to emphasize that all these actions will be done in the context of our unwavering commitment to driving ever-improving health, safety, environment and security (HSES) performance improvement, consistent with our values.

I would also note that we have a few additional advantages in delivering leveraged growth in 2021 and beyond. We recently completed a capital cycle that provides capacity for us to grow in many of our specialties, so we are well positioned to support our growth as the economy recovers. And, our aggressive inventory management will lead to significant operational leverage when growth returns.

Slide 13 – Actions and proven innovation-driven growth model key to how Eastman wins as economic growth returns

As we look past 2020 to next year and beyond, our innovation-driven growth model is at the heart of how we win. The combination of diverse technology platforms, deep market engagement, and differentiated market development has been proven over years as we've grown faster than our underlying end markets. How we leverage this model will be key to how

we win going forward. We've significantly invested in this model. Together with the actions we've taken in 2020, we are well positioned to benefit from a return to economic growth, as we lead from a position of strength with our innovation-driven growth model. Our strengths have never been clearer than during this pandemic -- our portfolio transformation to specialty businesses, the outstanding innovation capability we've built, along with our decisive operational execution capability. Generating excellent free cash flow is a top financial priority; our balance sheet is strong; and we have significant sources of liquidity. At the top line, we have a proven track record in our specialty products of driving growth above end markets, and serve a diverse set of markets, which provides resiliency. And our track record of disciplined cost management continues. At the same time, we continue to make significant investments in future R&D development efforts and increase our customer engagement with our business operating model, while achieving efficiencies in other functions to fund accelerated growth. Finally, our integration and scale enable innovation and security of supply. All this gives me confidence we are well positioned to manage in this uncertain environment. As we return to economic growth, we will not just return to a "New Normal" for Eastman – think of it as a "New Better," building on our 100-year history, leading from a position of strength with our proven innovation-driven growth model and, most importantly, thanks to the unparalleled drive and dedication of the men and women of Eastman around the globe. In the meantime, we will 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.