Eastman Q3 2020 Financial Results Prepared Remarks

October 29, 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 third quarter 2020 financial results. This is to be read with the third-quarter financial results news release and the slides detailing our third-quarter financial results, both of which were publicly issued and posted on our website (investors.eastman.com) after the close of NYSE trading on October 29, 2020. On October 30, 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 third-quarter 2020 financial results news release, in this document, in the accompanying slides, during the call, and in our filings with the Securities and Exchange Commission, including the Form 10-Q filed for second quarter 2020 and the Form 10-Q to be filed for third quarter 2020. All earnings referenced in this document, the accompanying slides, and the call/webcast exclude certain non-core 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 third-quarter 2020 financial results news release.

Mark Costa—Board Chair & CEO:

Slide 3 – Third-quarter 2020 highlights

We've had a strong recovery in the third quarter and solid performance through the first nine months of 2020, despite the challenges associated with COVID-19. Our employees around the world have done a great job of taking the actions necessary to keep their coworkers and themselves safe and healthy, and this commitment remains in place as we see a resurgence of COVID-19. 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 continues to be at the heart of how we win. The Eastman team has proven again this year, as we celebrate Eastman's Centennial, that there is no challenge too great for them. They continue to rise to the occasion and prove every day that they're the get-it-done team.

Consistent with our focus on cash generation this year, we've demonstrated operational excellence, delivering record free cash flow for the first nine months of 2020. The combination of disciplined working capital management as well as a resilient portfolio of specialty products has enabled, and will continue to enable, our excellent free cash flow. Similar to our strong free cash flow, our adjusted earnings also were strong, with almost 60% improvement from the second quarter, driven by innovation and market development.

While we were pleased to see demand come back a little faster than we anticipated, we stayed focused on our controllable actions to maximize our operational performance. Our cost programs remain on track, with approximately $150 million of savings, net of inflation, for the year of which approximately $50 million are structural. We also are making great progress on our multi-year operational transformation and continue to expect greater than $200 million of net structural costs savings to be achieved by 2022. Additionally, we made progress on our plans to generate $25 to $50 million of technology licensing earnings over the next few years, with $14 million of licensing earnings in the third quarter.

Turning to sustainability, which has been a focus at Eastman for more than a decade, we've had several wins across our sustainable product offerings that leverage our innovative molecular recycling technologies. Leading the way in innovation and market development are Eastman's Tritan™ Renew and Naia™ Renew cellulosic yarn – another way we're creating our own growth.

Building on this point, we recently were recognized by *The Wall Street Journal* as one of the 100 most sustainably managed companies in the world out of 5,500 considered, and one of only 3 US-based chemical companies on the list. We are honored to be recognized since we exist to make products that improve people's lives in a material way, which includes building a circular economy that better serves everyone.

Slide 4 – Innovation and market development driving resilience during pandemic

Naia™ and Tritan Renew are just a few of the ways we're leading in innovation and market development. Before moving to our third-quarter results, I'd like to highlight two other products that are driving excellent performance in these challenging times.

First, the strong results in Advanced Materials are due in part to the excellent work of our Performance Films team. This business has an impressive portfolio of innovative products and has developed a sophisticated channel strategy and unique set of digital offerings to drive growth. Even with global new passenger vehicle sales down 20% through the first three quarters, we drove significant performance of only being down 4% across the globe, which is well ahead of underlying markets. The outstanding performance demonstrates the strength of our brands, channel networks, and best in-class window and protective film products and services. In the third quarter, Performance Films had healthy double-digit year-over-year growth in North America, China, and EMEA. As our customers wrestled with how to safely reopen for business, the quick work of the Eastman team assisted our dealers by using best-in-class industry practices, including engaging consumers with new digital campaigns and enhanced consumer safety protocols. This quarter the team will further expand our leading paint protection portfolio by launching a black PPF, which is something our automotive dealer channels have been asking for to respond to consumer trends around customizing and accenting cars while also providing protection. This is becoming increasingly popular in the luxury sports car and SUV segments and is another example of the Performance Films team building upon our strong technology platforms to rapidly develop and launch high performing products aligned to industry and consumer trends. The combination of the robustness of our current offerings, the strength of our channels to market, and Eastman's deep expertise in

coatings, adhesives, and polymer science give us great confidence in our continued leadership and growth in window and protective film markets.

Next, in Additives & Functional Products, I'd like to highlight a specialty product line in our Coatings Additives business where our market-leading innovation and application development have aligned us with strong trends in the do-it-yourself decorative paint market. Despite enormous disruptions this year, I'm very excited to report that our team continues to deliver strong growth in our premium innovative products. One example fueling this growth is our architectural coatings portfolio, where we have built on our long-standing leadership position in Eastman Texanol™ with our Optifilm™ enhancer film formation additives. In particular, these low-odor and low-emissive specialty products were well positioned to meet the COVID-driven DIY demand surge this year. Our focus on application development aligned with long-term market trends related to emissions reduction and enhanced indoor air quality, combined with nimble operations, prepared us to capture this tailwind and achieve double-digit growth in 2020. Our portfolio of film formation additives allows paint formulators to develop coatings positioned for both do-it-yourselfers and professional paint contractors, while meeting increasing VOC regulations. And we were pleased to receive hypoallergenic certification from a leading European asthma & allergy association for Eastman Optifilm™ enhancer 400, underscoring the connection between our cutting-edge technology and market moving trends. As consumer sensitivity and government regulations continue to increase, we see these underpinning market trends serving as ongoing growth catalysts for our innovation investments. Building on these successes, we're excited about early, strong customer engagement with our new revolutionary product in the architectural space. This product enables reduced VOCs and significantly improved performance and has the potential to become one of Eastman's top three growth platforms. Across the portfolio, we continue to create our own growth through our innovation-driven growth model. While many of our engagements are virtual this year, I am encouraged by the progress we have made to emerge even stronger from this crisis.

Willie McLain—Senior Vice President and CFO:

Slide 5 – 3Q 2020 financial results – Corporate

The third quarter played out better than our original expectations, with a strong sequential improvement from the second quarter. As we moved through the third quarter, demand across our businesses improved, particularly for markets most impacted by COVID-19, including auto, building and construction, and consumer durables. Other products serving end-markets that have seen demand growth as a result of COVID-19, including consumables, personal care, and medical, moderated compared to a strong second quarter. Looking sequentially, sales volume and mix increased 10%, led by a strong pickup in Advanced Materials. I would also note that the Chemical Intermediates volume recovery would have been greater, but we were capacity constrained due to some planned maintenance shutdowns. Adjusted EBIT increased almost 60% compared to the second quarter and EPS increased 85%.

On a year-over-year basis, sales volume and mix recovered to be within 5% of last year, consistent with our comments provided in mid-September. Sales volume for products serving end-markets negatively impacted by COVID-19, including transportation, building and construction, and consumer durables, saw a strong sequential rebound. Pricing was stable sequentially. On a year-over-year basis, lower pricing was mostly attributed to lower raw material prices.

On a year-over-year basis, EBIT decreased due to lower sales volume, reduced capacity utilization, and less favorable product mix. Capacity utilization was lower due to lower volume and the residual impact of the aggressive inventory actions we took mostly in the second quarter. The year-over-year impact of lower capacity utilization was approximately $60 million, which is a strong improvement from the $140 million headwind in the second quarter.

By September, we ramped up our asset utilization rates significantly to support demand growth, and we do not expect utilization to be a headwind in the fourth quarter. We are well positioned for a meaningful tailwind from improved utilization rates in 2021. We also continued to execute on our cost-reduction actions, with about $50 million of cost savings in the third quarter compared to third quarter 2019.

We remain on track for approximately $150 million of cost savings, net of inflation, in 2020 compared to 2019. Gross cost savings are expected to be approximately $225 million.

Cost reduction actions, both temporary and structural, included reduced discretionary spending, adjusted operations, including deferred maintenance, to protect the health and safety of employees, and supply chain optimization. As I think about next year, we are working to make about $50 million of the savings structural as we accelerated some of our $200 million multi-year operational transformation program to further benefit 2021. We expect to save an additional $100 million in 2021 between a combination of asset footprint optimization and labor savings. In addition, we will have structural cost actions, including supply chain optimization, digitization, and productivity improvements. Among these actions, some of the one-time costs coming back, normal inflation, and our investments in growth and capabilities, we think our cost structure will be approximately flat to 2020 for full year 2021.

Slide 6 – 3Q 2020 financial results – Advanced Materials

Starting with the sequential comparison, sales volume and mix increased 18% compared to the second quarter. Advanced Materials strong rebound in the third quarter is a proof point that our strategy is working. Both Performance Films and Advanced Interlayers delivered double-digit rebounds in volume. Specialty Plastics increased mid-single digits, which is a strong result considering their resilience in the second quarter. Adjusted EBIT increased 117% due to increased volume and mix and significantly better operating leverage resulting from increased capacity utilization.

On a year-over-year basis, volume and mix was just 2% below last year, led by a strong recovery in auto demand alongside our innovation and market development initiatives, particularly for product lines for Performance Films' product lines. Specialty Plastics, consistent with the first half of the year, had strong and steady performance and is on track to grow EBIT compared to 2019.

Adjusted EBIT decreased compared to third quarter 2019 primarily due to reduced capacity utilization, less favorable product mix, and lower sales volume, partially offset by the impact of cost reduction actions.

Specialty Plastics has continued to demonstrate resilience throughout this global pandemic. Although there are a lot of factors underpinning this performance, the leading

positions we have with premium brands across the durables segments has been key as we have seen consumers increase their discretionary spending across a wide range of categories. I am especially pleased with how we are building on these positions with the launch of our recycled content offerings Tritan™ Renew, Acetate Renew and the rest of our new products enabled by our polyester renewal technology and carbon renewal technology. Nalgene's launch of their new Nalgene® Sustain bottle and Marchon's launch of a new line of sunglasses and ophthalmic frames highlight the strength of our sustainability offerings and the opportunity to work with leaders in our markets to make real change happen now.

As we look ahead to the fourth quarter, we expect that seasonality in this business will be less pronounced than prior years for a few reasons. First, inventories appear to be lower in the supply chain compared to prior years, which is driving customers to build inventory back to more normal levels. Second, we see continued strong demand in consumables and durables along with the momentum of our innovation and market development programs, which are driving growth in primary demand. And third, because of the improving momentum and limited destocking, we don't expect our capacity utilization to decline meaningfully, as it typically does in the fourth quarter. Putting all of these factors together, we think that Advanced Materials adjusted EBIT will be higher on a year-over-year basis in fourth quarter 2020.

Slide 7 – 3Q 2020 financial results – Additives & Functional Products

Compared to the second quarter, Additives and Functional Products' sales volume and product mix increased by 8%. Increased volume for products serving the auto market, in particular coatings and tire additives, were partially offset by an expected moderation of demand for products that have benefitted from the impact of COVID-19, including care chemicals. Overall, pricing was stable. Adjusted EBIT increased 51% sequentially primarily due to increased sales volume and improved product mix.

On a year-over-year basis, sales volume and mix decreased 8%. The negative impact of COVID-19 on demand resulted in lower sales volume of products sold in transportation end markets, particularly aviation fluids and certain automotive Coatings Additives, which is also a significant mix impact given the high value of these products. To offset some of the pressure

being felt in aviation fluids, our heat transfer fluids business team has worked tirelessly and successfully to find new markets and applications for our fluids beyond our legacy applications, and recently won a very significant project that will start impacting revenue in fourth quarter 2020. This is one of many examples of how the Eastman team has pulled together to drive the best outcome possible. Lower selling prices were attributed to increased competitive pressure in Tire Additives and cost pass through contracts. Adjusted EBIT was lower due to lower volume and mix, reduced capacity utilization, partially offset by the impact of cost reduction actions, and modestly better spreads.

Looking ahead to the fourth quarter, we expect continued improvement as demand for products serving transportation end markets will near 2019 levels, except for aviation fluids, which will remain under pressure. Capacity utilization is expected to be similar to fourth quarter 2019 and we will continue to execute on our cost plans. We will also have competitive pressure in the "1/3rd" of the segment for which management is evaluating strategic alternatives. As a result, we expect adjusted EBIT for AFP to remain more stable sequentially compared with prior years, but to be somewhat below year ago levels.

Slide 8 – 3Q 2020 financial results – Chemical Intermediates

Year-over-year, revenue decreased 13% driven by lower selling prices and lower sales volume and mix. Adjusted EBIT was similar to year-ago levels. Third-quarter EBIT includes technology licensing earnings of $14 million, a significant milestone in our program to deliver $25 to $50 million of earnings from technology licensing over the next few years. As demand increased steadily through the third quarter, a few factors restricted CI's ability to capture improving volumes. First, planned manufacturing maintenance turnarounds limited our ability to meet significantly increased demand across our markets. Second, customer turnarounds impacted demand, particularly in the agriculture end market which is one of the highest value product lines in the segment. All in, we think the impact of these factors was approximately $15 million.

As we move into the fourth quarter, we expect to take advantage of the higher level of demand after putting the shutdowns behind us. This improvement will be offset by the lack of

benefit from the technology licensing earnings, some modest seasonality, and some lag in pricing catching up to rising energy and raw material costs. Putting it all together, we expect CI adjusted EBIT to be similar to Q4 2019.

Slide 9 – 3Q 2020 financial results - Fibers

Finishing the segment reviews with Fibers and the year-over-year comparison. Sales volume and mix declined due to continued pressure in textiles end markets and the discontinuation of a tobacco specialty product. Acetate tow volumes were stable in the third quarter. Pricing was lower year-over-year primarily due to previously negotiated multi-year contracts. While traditional textiles applications are still depressed from the effects of COVID-19, I am proud of the results our teams are driving across applications where we are focusing our innovation and market development activities. Leading the way are applications with Eastman Naia™ cellulosic yarn, one of the many ways we're creating our own growth. This offering of a bio-based yarn that uses cellulosics from sustainably managed forests is compelling in a market where sustainability is driving consumer behavior.

We are having great success with women's wear, which is a target market for us. Year-to-date we are about flat in a market that overall is down about 30%. A key to this success is our recently launched Naia™ staple fiber in the loungewear category for TMall, one of the most important retail digital channels in the China apparel industry. Its inclusion in the platform is a validation of Naia's winning value proposition and gains Eastman quick adoption in one of the largest apparel markets globally. Additionally, we're proud to partner with a leading global retailer and sustainability champion, H&M, on our first textiles product from our circular economy platform. H&M recently announced its intent to be the first to market with our Naia™ Renew, which uses fiber made from sustainably sourced wood pulp and recycled plastics. We have been working with them in their Circular Innovation Lab, and they plan to include three different women's wear garments within their Conscious Exclusive collection later this year. And our Naia™ Renew offerings are now even more unique and compelling with our carbon renewal technology. Naia™ Renew is a circular innovation available today at global commercial scale.

Looking into the fourth quarter, we expect segment adjusted EBIT to be similar to third quarter 2020.

Slide 10 – First nine months 2020 cash flow and other financial highlights

Cash flow and maintaining our solid balance sheet remain top priorities for us in 2020. Through the first nine months, we generated over $1 billion of cash from operations and free cash flow was $771 million, a record for the first nine months of a year. In the third quarter, free cash flow was $360 million, ahead of the year-ago period. Strong cash generation resulted from our disciplined inventory controls and the resilience of our portfolio. We have returned $269 million to stockholders in dividends in the first nine months of 2020. We remain on track to use greater than $600 million of free cash flow for net debt reduction for full year 2020. By the end of the third quarter, net debt decreased $363 million compared to the end of 2019, and we had $650 million of cash and cash equivalents. We have ample sources of liquidity, including $1.5 billion through our revolving credit facility and cash on our balance sheet. Here in October, we have repaid $185 million of public debt due in January.

On free cash flow, we've made outstanding progress through the first nine months of the year as we've aggressively managed working capital and, in particular, our inventories. Normally, fourth quarter would be our strongest for free cash flow but that won't be the case this year with the typical release of cash from working capital happening earlier in the year. With that said, we remain on track for greater than $1 billion of free cash flow.

Mark Costa—Board Chair & CEO:

Slide 11 – End-markets are recovering

We recognize that there is strong interest in the monthly pattern of orders as we work through the COVID crisis. On this end-market chart, you can see that the third quarter reflected a strong improvement. We saw a 10% sequential recovery in volume and mix from the second quarter that got us back to within 5% of last year, and this improvement was limited by our planned maintenance shutdowns in the quarter. On a nine-month basis, our volume and mix is

down 6%, which is well above underlying markets. This resilient performance is due to our robust and diverse end market positions and the strength of our innovations. We realized a strong improvement in our most impacted and mixed impact markets. We delivered approximately 75%% sequential growth in auto compared to approximately 65% in the underlying market. In building & construction, a mixed impact market, we delivered approximately 30% growth, much of which was attributed to do-it-yourself trends. Performance Films, which I discussed earlier, is a great example of the power and value of our innovation-driven growth model. In our resilient end markets, the benefit we enjoyed in the first part of the year moderated as expected. That said, volume in our resilient end markets is approximately flat year-over-year through the first nine months of 2020. We've seen continued momentum in October, and into November, based on what we know today, we project that volume and mix for Eastman will approach fourth-quarter 2019 levels, a testament to the resiliency of our portfolio and the great work the Eastman team has done to mitigate the impacts of COVID-19.

Slide 12 – 2020 Outlook

Turning next to our 2020 outlook. Throughout a year that has presented a seemingly unending list of challenges, one thing has remained constant: the resolve of our people. Eastman women and men from around the world have responded to this environment with adaptability and a bias for action, and our results demonstrate this. We continue to focus on keeping people safe, especially as we see a resurgence of COVID-19, and remain committed to building more inclusive teams so everyone can contribute fully at work. In the third quarter, demand trended up, and we have seen this improvement continue in October. We expect our volume and mix to approach year-ago levels in the fourth quarter year-over-year. The auto market has been leading the improvement, but we are also seeing it in building and construction, consumer durables, and other markets. We are accelerating this demand improvement with the application of our innovation-driven growth model and the depth of our customer engagement. But, a few high-value markets will remain challenged, such as aviation and textiles. We expect some spread pressure due to a lag in pricing catching up to raw

material costs and competitive pressure in a few products in Chemical Intermediates and the "1/3rd" of AFP. As we've seen over the last few days and weeks, there remains a significant amount of uncertainty related to COVID-19. Visibility remains limited, particularly as we move toward the end of the year.

All that said, we are focused on what we can control. On costs, over the second and third quarters, we've reduced costs by approximately $110 million and are on track for another $40 million in the fourth quarter. Assuming economic conditions remain as they are currently, we expect our fourth-quarter 2020 adjusted EPS will be similar to our fourth-quarter 2019 adjusted EPS of $1.42. If the volume and mix strength in October continues through the remainder of the quarter, our EPS could be above the prior year. Given the uncertainty caused by the recent resurgence of COVID-19, we expect to provide an update on our fourth-quarter outlook before the end of the quarter.

Finally, on cash, which we've made a priority given the uncertainty, we've done a great job managing working capital, and, in particular, inventory. As a result, our free cash flow for the first nine months is the highest in our company's history, and we are on track for a fourth consecutive year of greater than $1 billion of free cash flow. As I think about 2021, we see a path to free cash flow of more than $1 billion facilitated by expected EBITDA growth offset by higher capital expenditures to support growth, particularly for our circular economy initiatives, and some working capital build as sales revenue increases.

Slide 13 – Innovation-driven growth model enabling superior performance

As we finish 2020 and look to next year, our innovation-driven growth model remains the heart of how we win. The combination of world-class technology platforms, deep market engagement, and differentiated application development continue to be a proven success formula as we've grown faster than underlying end markets. Our proven ability to leverage this strategy will be key to how we win going forward. Although we remain focused on aggressively managing our overall costs, we continue to invest in this model to support our long-term growth. Together with the actions we've taken in 2020, we are poised to weather any

additional waves of COVID-19 and are well positioned to benefit from the return to economic growth. Our strengths have never been clearer – our portfolio transformation to specialty businesses, the outstanding innovation capability we've built, along with our decisive execution capability. Generating excellent free cash flow is a top financial priority; our balance sheet is strong; and we have significant sources of liquidity. All this gives me confidence that we are well positioned to manage in this uncertain environment, which will allow us to deliver long-term attractive earnings growth and sustainable value creation for our owners and for all our stakeholders.