Eastman Q4 & FY 2020 Financial Results Prepared Remarks

January 28, 2021

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 fourth-quarter and full-year 2020 financial results. This is to be read with the fourth-quarter and full-year financial results news release and the slides detailing our fourth-quarter and full-year financial results, both of which were publicly issued and posted on our website (investors.eastman.com) after the close of NYSE trading on January 28, 2021. On January 29, 2021, 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 fourth-quarter and full-year 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 third-quarter 2020 and the Form 10-K to be filed for full-year 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 fourth-quarter and full-year 2020 financial results news release.

Mark Costa—Board Chair & CEO:

Slide 3 –2020 highlights

2020 was an incredibly challenging year across many fronts at Eastman, and we persevered with resilient results. We continue to lead from a position of strength with our innovation-driven growth model, which is the heart of how we win. I want to first and foremost thank the women and men of Eastman who helped us succeed. Each of you showed up to work every day and gave it your best – whether in one of our manufacturing facilities across the globe, in labs, in our office buildings, or in your home office. Your contribution to Eastman was significant, and I'm grateful to you. I know with certainty that in our 2020 centennial year, despite all the unprecedented challenges, we delivered on our promise to enhance the quality of life in a material way.

We have many highlights to celebrate. Most importantly, we took quick and decisive action in the first quarter to adjust our operations to keep employees safe and preserve our operational integrity. We also shifted our financial focus to prioritizing cash and liquidity, given the uncertainties we faced—and we delivered another year of outstanding free cash flow: our fourth consecutive year of free cash flow greater than $1 billion.

While we prioritized cash, our earnings performance was resilient, which is a testament to the tremendous investments we've made across our innovation portfolio over the last decade, including enhancing our market development and commercial capabilities. We aggressively reduced our costs by $150 million through both structural and short-term actions. And we accelerated our operational transformation program to keep costs flat in 2021. Additionally, we demonstrated that we have a robust portfolio of businesses and end markets, which gives us stability.

I also am excited that we've accelerated progress on our circular economy initiatives—and it's paying off with several wins across our portfolio, and awards recognizing Eastman as a leader in sustainability, including being named as a *Wall Street Journal* Most Sustainably Managed Company of 2020. In addition, we committed to ambitious and exciting new goals in our 2020 sustainability report. We announced that we will reduce our scope 1 & 2 greenhouse gas emissions by one-third by 2030 and achieve carbon-neutrality by 2050. After the outlook

discussion, we will discuss in more depth how we intend to invest in being a leader in the circular economy.

All of these highlights demonstrate the positive momentum we are building.. This is an exciting time at Eastman. Our strengths have never been clearer than during the pandemic, and we are well positioned to start the next 100 years of Eastman.

Willie McLain—Senior Vice President and CFO:

Slide 4 – 4Q & FY 2020 financial results – Corporate

Fourth-quarter results were better than our original outlook in October as demand continued to gain momentum from weakness during the Spring and Summer. Transportation saw the biggest pickup relative to our expectations, though aviation remains under pressure. Other end markets such as durables and personal care continued to have strong demand in the fourth quarter. Throughout the year, we created our own growth above the pace of market recovery, using our innovation-driven growth model. Revenue was down one percent with slightly higher volumes and favorable currency more than offset by lower pricing. The decline in price was due to a combination of lower raw material and energy prices across the company and competitive pressure in a few products in Additives & Functional Products and Chemical Intermediates.

Adjusted EBIT was up 18 percent compared to 4Q19 and this strong leverage to the bottom line was fueled by a combination of the improvement in volume / mix, better capacity utilization, and continued cost savings, somewhat offset by spread compression. Adjusted EPS was a record at $1.69, higher than any fourth quarter in the company's history. Adjusted EBIT margin was up 240 basis points.

Full-year 2020 revenue was down 9 percent due to 5 percent lower volume / mix and 4 percent lower pricing. This topline performance was resilient and reflects the value of our diverse end markets and robust portfolio of innovative products across the company. The slowdown in the global economy impacted all segments, particularly product lines used in transportation, building and construction, and textiles end markets. Adjusted EBIT decreased 12 percent. The quick actions we took to adjust operations and prioritize cash had a significant

impact on earnings, including a $200 million headwind associated with lower capacity utilization as a result of both lower demand and our intentional reduction of inventory levels beyond simply adjusting to lower demand. The cost impact of this additional inventory reduction in 2020 was approximately half of this headwind, or about $100 million. Adjusted EPS was $6.15, down 14 percent. Cost savings, which totaled approximately $150 million in 2020, partially offset the impacts of lower volume / mix and lower capacity utilization. These results in this unique year, alongside our strong free cash flow, are an excellent indication of the strong performance-oriented culture we have at Eastman.

Slide 5 – 4Q & FY 2020 financial results – Advanced Materials

Advanced Materials delivered record earnings in the fourth quarter—an impressive result considering 4Q19 was the previous record. EBIT was sequentially stable with the third quarter as demand continued to accelerate, which offset any normal seasonality.

All businesses delivered revenue growth in the fourth quarter, led by performance films, which had mid-teens revenue growth. Specialty plastics had record revenue and earnings, continuing what has been an impressive year despite the pandemic. Revenue was up 6 percent primarily due to higher volume / mix. Lower pricing, which was mostly due to lower paraxylene prices in specialty plastics, was offset by a favorable currency impact of 2 percent. The strong demand in the quarter was in transportation, consumer durables, architecture, and electronics end markets. The strength of the performance of our premium products continues to highlight the power of our innovation-driven growth model. For example, our performance films business in China dramatically outperformed the underlying auto market through significant share gains that were the driven by the combination of superior multi-generation product development pipeline and differentiated service offering. In Tritan™, our established position with leading brands, coupled with the launch of our Tritan™ Renew circular plastics offering, has dramatically expanded our markets and penetration of key categories.

Typically, the Advanced Materials business sees some seasonal decline in the fourth quarter, but this year was different due to a couple factors. First, end markets are still recovering back to normal primary demand levels, so there was positive momentum. In

addition, inventories are low and we believe there is some restocking across the value chain that could continue into the second quarter.

Adjusted EBIT was up 23 percent due to higher volume / mix and cost reduction actions. Adjusted EBIT margin increased 290 basis points to 20.5 percent.

For the full year, revenue was down 6 percent due to 4 percent lower volume / mix and 2 percent lower pricing. A strong recovery in the second half of the year helped to offset significant weakness in the second quarter due to COVID-19 lockdowns and the decline in the auto market. Specialty plastics grew EBIT in 2020 vs. 2019 due to resilience across many of its end markets, including strong growth in durables and packaging, which more than offset weakness in medical and opthalmics.

In first quarter 2021, we expect solid sequential increases in both revenue and adjusted EBIT compared to fourth quarter 2020 as strong demand continues. For the full year, we expect Advanced Materials will grow adjusted EBIT meaningfully above 2019 levels, which would be another all-time record for the segment as we continue to deliver on our strategy of volume growth, mix improvement, and fixed cost leverage.

Slide 6 – 4Q & FY 2020 financial results – Additives & Functional Products

In the fourth quarter, revenue increased one percent due to 2 percent higher volume / mix and favorable currency of 2 percent offset by 3 percent lower price. The transportation end market improved throughout the quarter, and building and construction remained resilient. Care chemicals and coatings additives both delivered double-digit topline growth. These strong results were partially offset by continued weakness in the aviation end market which has minimally recovered from the impact of COVID-19. The decline in price was mostly due to lower raw material prices and competitive pressure in product lines constituting about one-third of AFP segment revenues (primarily adhesives and tire additives,) that are under strategic review.

Adjusted EBIT increased 8 percent and adjusted EBIT margin increased 100 basis points. The increase was due to cost reduction actions, partially offset by higher inventory costs resulting from lower capacity utilization earlier in the year.

For the full year, revenue declined 8 percent due to 4 percent lower price and volume / mix. The impact of COVID-19 on transportation end markets had the largest impact on volume / mix. Lower pricing was due to lower raw material prices and competitive pressure in the adhesives and tire additives.

Care chemicals, which is exposed to resilient end markets such as personal care, grew volume / mix 5 percent in 2020 vs. 2019. In the fourth quarter, we had the first commercial sales of care chemical formulations of skin-aging products containing Eastman's new product Retinyl Sunflowerate. Compared to the market incumbent (Retinyl Palmitate), Sunflowerate combines a higher anti-aging activity demonstrated by biomarker testing, without the risk of developing an allergic response. In coatings additives, we saw continued strength in architectural demand, driven by strong "do-it-yourself" demand for architectural paint, as well as good recovery in the auto market. And the trends of strong demand for care chemicals and coatings additives are continuing into the first quarter of this year.

Looking ahead to 2021, we expect strong sequential improvement from the fourth quarter 2020 to the first quarter of 2021 but likely not all the way back to first-quarter 2020 levels, which was a strong quarter for AFP. We also expect full-year adjusted EBIT to increase substantially year-over-year, but not all the way back to 2019 levels. AFP will also benefit from volume growth, mix improvement, and fixed cost leverage. In the two-thirds of AFP, we expect earnings to get back to, or be slightly above, 2019 levels as continued strength in personal care, and recovery in automotive end markets is expected to be partially offset by weakness in aviation fluids, which is not projected to recover to pre-COVID levels of demand this year. In the one-third, while recovering compared with 2020, tire additives and adhesives are expected to remain below 2019 levels.

Slide 7 – 4Q & FY 2020 financial results – Chemical Intermediates

In the fourth quarter, Chemical Intermediates revenue declined 8 percent driven by 6 percent lower volume / mix and 3 percent lower selling prices. Currency was a favorable impact of one percent. While underlying demand strengthened during the quarter, volume / mix was negatively impacted by site maintenance shutdowns and the discontinuation of certain product

lines at our Singapore facility. The impact of this action, which is part of our overall strategy to optimize our sites and adjust our asset footprint, will have a positive impact on EBIT, but is expected to negatively impact sales volume / mix for Chemical Intermediates by approximately 5 percent in 2021. Lower prices were due to lower raw material and energy prices.

Adjusted EBIT increased due to lower maintenance shutdown costs and cost reduction actions, partially offset by modest spread compression in a few products.

For the full-year, revenue declined 14 percent due to 7 percent declines for both volume / mix and price. Sales revenue was negatively impacted by reduced demand and lower raw material prices due to COVID-19, particularly for olefins, acetyls, and plasticizers products. Functional amines, which sells products mostly in the agriculture end market, was resilient in 2020, with stable revenue compared to 2019. Full-year adjusted EBIT decreased due to lower capacity utilization, lower volume, and lower spreads, partially offset by cost reduction actions and technology licensing earnings.

As we move into 2021, we expect strong sequential improvement in the first quarter, but we do not expect adjusted EBIT will get quite back to first-quarter 2020 levels due to a few factors. First, we expect some spread compression in acetyl products. Second, first quarter 2020 included a modest amount of technology licensing earnings. Third, increased demand across the globe is resulting in some logistics constraints.

For the full year, we expect the functional amines business to continue its strong, steady growth. We also see spreads for most product lines increasing compared to 2020. These tailwinds will be offset by competitive pressure in acetyls, higher maintenance costs, and the lack of technology licensing earnings in this year. All in, we expect adjusted EBIT to be meaningfully above 2019 levels but not back to 2018 levels.

Slide 8 – 4Q & FY 2020 financial results – Fibers

Fourth-quarter revenue declined due to 6 percent lower volume / mix and 2 percent lower pricing. Product mix was negatively impacted by the discontinuation of a tobacco specialty product and volume declined due to continued weakness in the textiles end market as a result of COVID-19. Acetate tow volume was stable. Price declined due to previously

negotiated multi-year contracts for acetate tow. EBIT declined due to less favorable product mix and lower prices.

We are pleased with our progress in stabilizing the acetate tow business. Although the textiles business continues to be depressed due to the global pandemic, we are very pleased with momentum we are building on our Naia™ Renew platform as leading brands like H&M turn to it for their most sustainable brands like its Conscious Collection. We expect this trend to build momentum as we proceed through 2021.

For the full year, revenue declined 4 percent due to 2 percent declines for both volume / mix and price. The volume decline was primarily due to the negative impact on demand from COVID-19 on the global textiles market. Volume was also negatively impacted by the discontinuation of a tobacco specialty product. Price declined due to previously negotiated multi-year contracts for acetate tow. Adjusted EBIT decreased due to lower capacity utilization and less favorable product mix, partially offset by cost reduction actions.

Looking at 2021, we expect stable segment earnings as acetate tow volumes will be down due to the discontinued product and normal acetate tow market decline, offset by improvement in the textiles market and lower costs. We continue to make great progress growing in target end markets like women's wear and athleisure.

Slide 9 – Full-year 2020 cash flow and other financial highlights

As COVID-19 cases began to spread across the globe in first quarter 2020, the Eastman team quickly pivoted to prioritizing cash and liquidity, and we delivered strong results on that front. Free cash flow was approximately $1.1 billion, the fourth consecutive year over $1 billion. We made excellent progress on working capital, and we'll look to sustain many of those gains as we move forward in 2021. We reduced net debt by over $600 million when excluding the impact of foreign currency exchange rates and net debt is now approximately $5 billion. Our net debt to adjusted EBITDA ratio is approximately 2.8x on a trailing-twelve-month basis and I expect this ratio will continue to decrease as we reduce net debt and grow earnings. Our target range for this ratio is approximately 2.5x, which we expect to achieve by year-end 2021. We

returned $418 million to stockholders through our attractive dividend, which we raised for the eleventh consecutive year, and share repurchases to offset dilution.

We delivered approximately $150 million of cost savings, net of inflation, in 2020 compared to 2019. Gross cost savings were 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. Looking at 2021, we estimate that about $50 million of the savings is structural. We also accelerated some of our $200 million multi-year operational transformation program to further benefit 2021, realizing an additional $100 million in 2021. These savings come from a number of specific programs such as maintenance efficiency, asset footprint optimization, labor savings, supply chain optimization, digitization, and productivity improvements. Taken together, including some of the one-time costs coming back, normal inflation, and our investments in growth and capabilities, we think our cost structure will be about flat in 2021 compared with 2020.

Our priorities for uses of cash in 2021 are continuing to fund our attractive and growing dividend, reducing net debt to a lesser extent than in 2020, and a combination of share repurchases and bolt-on M&A. And you should expect a modest pension tailwind of approximately $25 million as we benefit from lower interest rates. Our full-year 2020 adjusted effective tax rate was approximately 15.5 percent.

Mark Costa—Board Chair & CEO:

Slide 10 – 2021 outlook

Before looking forward, I'll look back and reflect on what was a very challenging year, but also a year in which Eastman women and men demonstrated their resolve. There are countless examples of helping each other, of commitment, and of skill that enabled Eastman to thrive in an environment almost without precedent. Our COVID-19 containment team worked tirelessly to keep our people safe and maintain the operational integrity of our facilities around the world. This work continues today, and although we don't know how much longer this

pandemic will last, we are confident we will sustain a high level of performance. Our commercial teams worked with our customers in new ways while maintaining a relationship that at its foundation, is based on a commitment to helping our customers succeed. Innovation continued during the pandemic, and we found new ways to leverage our innovation-driven growth model. It took the entire Eastman team to make these things happen. Each challenge through the year was met with a bias for action, with optimism, and with adaptability. I'm both thankful and inspired by all that the Eastman team did to make 2020 a successful year.

Looking forward to 2021, we enter the year with momentum from our record fourth-quarter results. We are seeing clear signs of recovery across many of our markets, including strong orders in January, but visibility remains limited due to the continuing effects of COVID-19. This means that we will continue to focus on what we can control. In 2020, we meaningfully reduced capacity utilization as we aggressively managed inventory well beyond the decline in demand to maximize cash. As a result, EBIT declined by about $100 million just related to the impact of this additional inventory reduction actions. So, if volume is flat in 2021 compared with 2020, we would have about a $100 million tailwind from improved utilization, or about 60 cents per share better than 2020. Looking at our cost structure, you'll recall that we reduced costs by approximately $150 million in 2020 versus 2019, and we estimate about $100 million of this was temporary. As Willie discussed, we took action in April to accelerate our transformation program and are on track to reduce costs in 2021 to offset the return of those temporary costs. As a result, we expect our 2021cost structure will be about flat compared with 2020.

On topline growth, we expect growth from three levers. First, we expect markets to continue to improve relative to 2020, as we have seen in the fourth quarter and in January. We recognize there is uncertainty with COVID and other factors but believe it will still be better than 2020. Second, we continue to make progress with our innovation-driven growth model to grow faster than our underlying markets in our specialty products. There are numerous examples of this across our portfolio in 2020, and we expect it will continue in 2021. Third, we expect a strong improvement in mix. A significant portion of our headwinds in 2019, as well as 2020 with COVID-19 and the trade war, were related to mix. As growth in our specialty

products accelerate in 2021, improved mix will be a powerful driver of earnings growth. We have already seen this benefit in fourth quarter 2020, and we expect it to accelerate throughout 2021. We expect to benefit from lower pension costs and continued discipline in how we allocate capital, including debt reduction, share repurchases, and potential bolt-on acquisitions.

There are also headwinds, including the lack of visibility related to COVID-19 and other global macro-economic uncertainties that I've mentioned. We aren't sure how the current resurgence is going to impact economic growth in the coming months and quarters. In addition, we are seeing costs for raw materials, energy, and logistics rising, and have competitive pressure in a few products

When we put this together, we expect our 2021 adjusted EPS will increase by between 20 and 30 percent compared with 2020. This also means we expect our 2021 adjusted EPS to be well above 2019 adjusted EPS, which would further demonstrate the strength of our portfolio. The range we are giving you is wider than normal due to the limited visibility related to COVID-19 and other global macro-economic uncertainties. We are expecting a strong start to 2021, with adjusted EPS similar to first quarter 2020, which was a strong quarter, up 15 percent compared to first quarter 2019. As you think about the pattern through the year, we included in these slides our expected manufacturing maintenance shutdown costs in the appendix, and you'll see we have a $45 million headwind in the second quarter compared with the first related to these costs.

Finally, on cash, which remains a high priority for Eastman, we expect 2021 to be our fifth consecutive year with free cash flow above $1 billion. We expect cash earnings growth and other actions we are taking will more than offset increased inventory levels as demand improves resulting in stable free cash flow when compared with 2020. I believe we have developed a track record of being able to deliver strong free cash flow in any environment.

Please note the modeling and assumptions slide at the end of this presentation for a detailed look at some of the key items impacting our 2021 financial guidance.

Earlier, I talked about our intention to be a leader in the circular economy, and the next several slides detail a major step forward towards that commitment.

Slide 12 – Three simultaneous global crises need solutions

Eastman is leading the way in providing solutions to three global crises that are occurring simultaneously. Starting with plastic waste, each year more than 300 million tons of plastic are produced globally and only about 15 percent is recycled today. Estimates are that roughly 25 percent is incinerated, about 40 percent is landfilled, and about 20 percent leaks into the environment – including into our oceans. This problem is too big for one stakeholder to solve – industry, government, NGOs, and others must work together to solve this crisis. Eastman is well positioned to contribute to the solution by showing what is possible with innovation, proving that molecular recycling is scalable, economically viable, and can reduce carbon emissions.

On climate change, the debate is over – the question is what we together are going to do to address this crisis. Last August, our Board of Directors committed Eastman to take action to be in accordance with the Paris Climate Agreement. And in our 2020 Sustainability Report issued in December of last year, we committed to achieving carbon neutrality by 2050. We have already made substantial progress by reducing our greenhouse gas intensity from our 2008 baseline by 20 percent in 2019. We have a more aggressive goal to reduce our absolute greenhouse gas emissions by 30 percent by 2030, and our molecular recycling technologies are part of the solution.

And on population growth, once again Eastman is contributing to the solution. Our products are helping to hydrate, feed, and care for the growing population in a sustainable way.

Slide 13 – Macro trends have been central to our strategy for over a decade

Interrelated to these global crises are the macro trends you see on this slide. These topics are not new for Eastman – in fact, for over a decade, we've placed sustainability at the heart of how we innovate new products.

Starting with caring for society, as the global population drives inevitably towards 10 billion people, we remain dedicated to the transparency and product safety of all our materials. One example is Eastman Tetrashield™ protective resin, which enhances the performance of

bisphenol-A non-intent (BPA-NI) metal food and beverage packaging coatings. We have also recently launched several specialty products to support feeding a growing population, including Keitex™ feed preservation additive for Salmonella control, which replaces formaldehyde-based products, and encapsulated butyrate and phytogenic products for antibiotic-free gut health solutions. And we are leading with low substance of concern resins for adhesives.

We are addressing climate change with both the actions we are taking to reduce our carbon footprint in our operations and by providing products that enable our customers and consumers to reduce their carbon footprint. As we set our path to support the Paris Climate Agreement, we expect to achieve one-third of our target by 2030. These reductions will be driven by continued energy efficiency – and we are an eight-time 'Partner of the Year' with the EPA's ENERGY STAR® program. One of the ways that we've achieved this recognition is by switching out power boilers from coal to natural gas. Also driving the carbon reductions are process transformations, including the impact of our molecular recycling technologies, as well as renewable energy which we use today and are also supporting the development of offsite renewable projects. And finally, we are partnering with universities and national laboratories to enable the development of nascent and breakthrough technologies that can be deployed at scale to meet the demands of industrial decarbonization.

We are also contributing to our customers achieving their goals to reduce greenhouse gas emissions. For example, our interlayer products are enabling the lightweighting of cars, our films are reducing the air conditioning load, and our tire additives are improving fuel efficiency. Each of these products will be even more important in electric vehicles. Our films are used to improve the energy efficiency of buildings, and we are launching a new bio-based cellulosic building insulation to replace expanded polystyrene insulation (EPS) that will also have recycled content.

On circularity, we recognize that there is a need to provide solutions to the plastic waste issue. We have therefore launched two molecular recycling technologies at scale and are in launch with multiple products in many markets leveraging our scale and integration to enable a truly circular economy. We will talk more about this in subsequent slides.

Slide 14 – Plastics are essential to the quality of life

While there is a significant debate about the role of plastics in our society, plastics are recognized to be a critical contributor to improving our overall quality of life. This contribution is even more powerful when combined with a focus on the 3R model of Reduce, Reuse, and Recycle. And plastics are fundamental to addressing some of the most pressing global problems.

For example, there are over 2.2 billion people today who don't have access to clean drinking water, and as population growth continues, this number is expected to grow. Even though we exited the PET single-use packaging business about a decade ago, we recognize that there are single-use plastic applications that are important in this space. The durability of many of Eastman's products enable the 'Reuse' part of the 3Rs in applications such as our Tritan™ Renew in hydration bottles, which are playing an important role in reducing single-use plastic. Feeding a growing population is also a fundamental need, and advanced packaging technologies can help get food to people and keep it fresh – preventing spoilage, which is a major source of greenhouse gases. According to *The Economist*, for every ton of food wasted, the equivalent of 1 to 2 times as much carbon dioxide is emitted as the packaging itself. Similar to hydration, we are focused on reusable food storage products, but we also recognize that advanced single-use packaging reduces food spoilage. Plastics have also been critical to facilitating innovation in medical devices and driving down the cost of health care.
Lastly, substituting plastic with other materials such as aluminum, glass and multilayer paper packaging is not necessarily the best solution for the environment. Aluminum and glass processes in many applications are more energy intensive compared to plastic on a volume basis despite higher recycling rates. And if industry can drive molecular recycling to scale, the greenhouse gas footprint for plastics would become significantly better than aluminum and glass. Multilayer paper packaging usually includes coatings and plastic film layers that make it very difficult to recycle and increase the carbon footprint. One other point is that plastics are more affordable than glass, aluminum, or multilayer paper for the parts of the global population that are economically disadvantaged – a serious challenge as we improve the quality of life for everyone around the world.

For these reasons, in many applications, plastics are the preferred choice for the environment.

Slide 15 – Global brands making significant commitments to reduce waste plastic

There are many companies and organizations that recognize they must contribute to addressing the global plastic waste crisis. One important example is the New Plastics Economy Global Commitment led by the Ellen MacArthur Foundation. Signatories include companies, governments, NGOs, and others. Eastman is a signatory, as are many of the global brands that are represented on this slide. You'll see that many different markets are represented – from fast-moving consumer goods to technology to transportation to textiles.

Each of these companies is making a meaningful commitment to increase the amount of recycled plastics in their products – and many of these goals are expected to be achieved by 2025. There are many more companies that have made commitments from many other industries. As a result, we estimate the total market for recycled plastic products beginning in a few years is in the hundreds of billions of dollars. And while Eastman's entitlement within that market is relatively small on a percentage basis, there is a significant opportunity to drive growth for our specialty products in durables end markets – and play a leadership role in addressing the plastic waste crisis by showing the world what is possible.

One of the greatest challenges in achieving these goals and going further is accessing plastic waste in a usable form. We will need an all-of-the-above solution to build out the recycling infrastructure.

Slide 16 – <u>Both</u> mechanical and molecular recycling are required to eliminate waste and create a truly circular economy

To enable a truly circular economy and for brands to meet the commitments they are making to reduce plastic waste, both mechanical and molecular recycling are required. As was indicated earlier, today only about 15 percent of waste plastic is recycled. When possible, mechanical recycling should be used first as it is the most carbon efficient recycling method. Given the scale of the crisis, mechanical recycling is without question a necessary part of the

solution. However, there are limitations to how much mechanical recycling can solve. First, if you want to recycle material back into high-value products, you are limited to using clean and mono plastic sources, and the rest will still become waste. Second, there are serious performance and quality limitations to this method, which is part of the reason that more plastic waste isn't recycled today. Most importantly, each time plastic waste is used in a mechanical recycling process it, degrades. The result is that eventually material that is mechanically recycled becomes waste itself.

Molecular recycling technology addresses the majority of plastic waste that has little value or can't be mechanically recycled, and therefore is necessary to renew all material and avoid end of life. Although not as advantaged as mechanical recycling, the carbon footprint for some molecular recycling technologies can be attractive when compared with using fossil feedstocks. For example, our polyester renewal technology reduces greenhouse gas emissions by between 20 and 30 percent compared with processes using fossil feedstocks. Our molecular recycling technology can also use plastic waste that is thought to have little value or can't be mechanically recycled. Molecular recycling returns plastics to purified intermediates that are identical to the fossil feedstock-based approach, so the recycled plastic is identical to what customers are currently using, making transition very easy and affordable. We are upcycling material with our molecular recycling technology to its highest value – for us, this means durable applications where the product is reused repeatedly, keeping our natural resources in use longer. And, by taking the plastic back to intermediates, there is no degradation, which means that there is an infinite ability to recycle plastic for a truly circular economy.

Molecular recycling is required to enable a circular economy. A mechanical-only recycling system is an improvement over today, but it can't displace the functionality of virgin material.

Slide 17 – Consumers are paying premiums for sustainable products to solve these challenges

Over the past year, as we've been discussing our molecular recycling technologies with investors, one consistent question has been whether we can achieve a price premium to fund our solutions to the plastic waste and climate challenges. Given the recognition by consumers

and others of the plastic waste crisis, the actions that governments have taken and are considering taking, plus the commitment that global brands are making, we believe that consumers will pay a premium for products with recycled content.

There are many examples of this, and we've depicted several of them on this slide. The first is a comparison of the price of Western European food-grade recycled PET to virgin PET derived from fossil feedstocks. Back in 2018, recycled PET was at a discount to virgin PET. In 2019, this changed to about a 40 percent premium, and in 2020 the premium had grown to about 75 percent. This is a clear indication that the market is willing to pay more for a recycled alternative.

There are several other examples on the right side of the slide. The first compares two water bottles from our customer, Nalgene. The one on the left is made with Eastman Tritan® copolyester and the one on the right is made with Tritan® Renew. You can see there is a 25 percent retail price premium for the bottle with Tritan® Renew. The next example compares coffee makers from Philips, with the energy efficient version using 50 percent post-consumer recycled content priced at a 20 percent premium. And finally, for the two Nike shirts, the one with 50 percent recycled PET is commanding a 25 percent retail premium price. These are just a few examples of the price premium that is already in the market today and we are confident is sustainable.

Slide 18 – Polyester renewal technology creates value from waste

While we have two different technologies, today we are going to focus on our polyester renewal technology (PRT). This is a technology that Eastman has about 40 years of experience with, beginning back in the 1970s. On the front end, we use PET waste not typically used by mechanical recycling as a feedstock, including colored PET, films, and fibers from textiles, carpets and other sources. We then return this waste back to the monomers. Those monomers are then used to manufacture Eastman polymers.

Our polyester renewal technology reduces greenhouse gas emissions by between 20 and 30 percent when compared to processes using fossil feedstocks. And we have completed a

life cycle analysis (LCA) for our polyester renewal technology that is currently being reviewed by a third party. We expect this review will be completed in the first quarter of 2021.

Depicted on the right side of the slide is how PRT will accelerate our growth in both existing and new markets. Since the launch of our first commercial product with recycled plastic waste over one year ago, there has been very strong customer engagement. We are in over 100 customer trials and have had several brand launches such as Nalgene and CamelBak. We are on track for many more customer launches this year. In existing markets such as hydration, cosmetic packaging, food storage, appliances, and medical, we are winning new applications, accelerating our growth in current applications, and achieving premiums. Our recycled offers are also opening doors in new markets such as electronics, toys, and automotive. At the heart of our innovation-driven strategy is delivering above-market growth with high-value products, upgrading our mix. As a leader in the circular economy, we are translating and extending our competitive advantage.

Slide 19 – Eastman to build one of the world's largest plastics to plastics molecular recycling facilities: Taking the next step on our circular economy journey

We have made great progress with our circular economy initiatives over the past two years, and we believe the time is right for Eastman to take the next major step. Today, we are announcing a significant capital investment for a new methanolysis facility to be built at our largest manufacturing site located in Kingsport, Tennessee.

This facility will provide intermediates that will enable production of between 150 and 200 kmt of polymer production, depending on product mix. Given the demand for recycled material, the flexibility of this technology to use a variety of plastic waste as a feedstock, the attractive greenhouse gas footprint relative to deriving the monomers from fossil feedstocks, and importantly, the price premium that consumers are willing to pay, we feel the time is right. The feedstock for this facility will be hard-to-recycle plastic waste. We are confident that we can procure this feedstock given that we will use diverse plastic waste and that we have identified sources for procuring it. As we add additional capacity over time, we will continue to

work with a variety of stakeholders in this area to increase and improve the recycling infrastructure for the sorting and distribution of plastic waste.

We expect construction to begin in the middle of this year and for the facility to be mechanically complete by year-end 2022. The investment is expected to be approximately $250 million, and the state of Tennessee has agreed to incentivize the construction of this facility in Kingsport. As a result, we believe Tennessee will become a leader in enabling the circular economy and an example for others to follow.

Eastman is uniquely positioned to leverage our existing integration, which remains an important source of value. For this project, our highly integrated site in Kingsport, including the co-location of our polyester renewal and carbon renewal technology assets, results in our ability to take lower-quality polyester waste for our PRT facility and use the material which isn't polyester in our CRT facility – no one else has this advantage. In addition, our integration and scale are enabling the reduction of our capital costs versus our competitors that don't have our integration advantage.

Given our experience in specialty markets and the ability to use excess capacity in packaging, we expect to be able to start this facility at a higher-than-normal utilization level. We will then upgrade the mix of the markets we serve over time. Taking into account all of the contributors to attractive economics for this investment, we expect the return on capital to be above the high end of the 10-15 percent range that we expect for all of our investments.
In addition, we expect our circular economy initiatives to make a meaningful contribution to corporate revenue growth going forward, and as a result we expect our corporate new business revenue to be greater than $600 million in the coming years.

With this investment, we expect to demonstrate to all stakeholders that a solution to the plastic waste crisis is possible – with an attractive return.

Slide 20 – Methanolysis facility to have a positive impact on the planet

As indicated previously, Eastman is committed to the Paris Climate Agreement, and our molecular recycling technologies are an important component of how we intend to achieve our goals. By using over 110 kmt of plastic waste as a feedstock, we are keeping it from being

disposed in landfills, from being incinerated, or from ending up in the environment. It's the equivalent of almost 11 billion water bottles, 790 million polyester shirts, or 2.7 billion shampoo bottles.

Also, by reducing greenhouse gas emissions by between 20 and 30 percent compared to processes using fossil feedstocks, we are removing more than 45,000 metric tons of CO2 – the equivalent of CO2 emissions from 115 million miles driven. All of this occurs while the end product from this process is essentially the same as a product produced from traditional fossil feedstocks – so there is no compromise on product functionality or quality. And the recycling process enables an infinite ability to recycle polymers for a truly circular economy.

We also recognize that the global challenges of plastic waste and climate change are much greater than can be addressed with our first molecular recycling facility. As you would imagine, there are potential partners around the world who are very interested in collaborating with us on how to bring our innovative solutions to other regions, particularly in Europe. We will provide additional details as we have new developments.

Slide 21 – Enhancing the quality of life in a material way

We are excited about the contribution that Eastman is making to enable a truly circular economy – today. Eastman is uniquely positioned to lead by demonstrating that there are credible solutions to the plastic waste crisis – we are doing it at scale today and proving it is economically viable.

With this investment, we are taking a significant step forward in what will be a journey to solve this crisis. And this is just the beginning. We are actively working on our next step forward with our circular economy initiatives, including collaborations with others and direct investments in Europe and Asia.

We expect to use ~250 million pounds of plastic waste annually by 2025 and ~500 million by 2030. While we are focused on the plastic waste crisis, we are also focused on the climate crisis. To that end, we are committed to reducing our absolute greenhouse gas scope 1 and 2 emissions by one-third by 2030 to achieve carbon neutrality by 2050. And we will not

move forward with a technology that does not have a better carbon footprint than traditional technologies.

This methanolysis facility will help us to address all three of the macrotrends that we highlighted earlier - and we can make an attractive return on our investment while doing so.