Eastman Q1 2021 Financial Results Prepared Remarks

April 29, 2021

Slides 1 and 2:

This document is the CEO's and CFO's prepared remarks for Eastman Chemical Company's first-quarter 2021 financial results. This is to be read with the first-quarter 2021 financial results news release and the slides detailing our first-quarter financial results, both of which were publicly issued and posted on our website (investors.eastman.com) after the close of NYSE trading on April 29, 2021. On April 30, 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 first-quarter 2021 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-K filed for 2020 and the Form 10-Q to be filed for first-quarter 2021. 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 first-quarter 2021 financial results news release.

Slide 3 –1Q 2021 and other recent highlights

We are off to an excellent start to 2021, and I am proud of the many accomplishments we've achieved in just a few short months. We're building momentum, and the strong operational execution of our teams is paying off as the global economy returns to normal. There are several highlights to cover. First, strong demand from the end of 2020 continued throughout the first quarter of 2021. In many markets, demand is returning to or exceeding 2019 levels. Additionally, we are increasing prices across several specialty products to catch up to the increase in raw material, energy, and distribution costs. We reported 20 percent higher adjusted EPS over 2019 and 5 percent over a very strong first quarter last year, before we felt the full impact of the COVID-19 pandemic. Consistent with our track record of strong free cash flow, we also delivered record free cash flow of $125 million in the first quarter, which was up substantially from very strong performance a year ago.

We achieved these solid results despite operational and logistical headwinds from Winter Storm Uri. I'm incredibly proud of our teams in Texas, who took proactive steps ahead of the storm to avoid a hard shutdown of our assets. Then, they worked tirelessly to repair and restart our facilities, which helped ensure supply for our customers. Thanks to their proactive planning, including pre-ordering supplies and securing contractors before the storm hit, we were able to safely restart with no injuries, and well ahead of our competitors. We had half of our Texas manufacturing facilities operational within one week of the storm, and we were more than 95 percent operational within 3 weeks. The way in which our employees jumped to action is a perfect encapsulation of our can-do attitude. At our Longview site, we completed 1,680 repair welds, built 3,030 different scaffolds, and brought on 2 ½ times our normal maintenance headcount and worked 4 ½ times normal hours. We had employees sleep in nearby hotels, prioritizing the safety and operability of our sites, even when their own homes were without power. All with zero injuries. To all the Eastman employees who sacrificed and rose to the challenge, we thank you on behalf of all your colleagues at Eastman.

Moving to other highlights, our innovation-driven growth model and the investments we've made over the last several years are paying off. We have several examples of innovative products that are accelerating growth for Eastman, some of which will be covered in

subsequent slides. We've also made significant progress in cultivating relationships with leading brand owners looking to make a meaningful impact on the environment with our recycled content and biopolymer products. And our progress hasn't gone unnoticed, with Barron's adding Eastman to its list of the 100 Most Sustainable Companies for 2021, a true honor for our company. We are establishing ourselves as a leader in the circular economy. Additionally, we issued an Inclusion & Diversity Annual Report, which you can find on our website. At Eastman, we take our Environmental, Social & Governance (ESG) commitments seriously, and transparency is of the utmost importance. This report is just one of several documents we hope will be useful to you as you evaluate the ESG profile of Eastman.

We also continue to allocate our capital with returns to stockholders in mind. To that end, we recently completed a small bolt-on acquisition in the animal nutrition business, which will be discussed shortly. And finally, we think the favorable trends in the economy, coupled with the innovation investments we've made and continued disciplined cost management, sets us up for strong EPS and free cash flow growth this year and next as the world returns to normal.

Slide 4 – 1Q 2021 financial results – Corporate

Sales revenue increased 7 percent year-over-year led by Advanced Materials and Additives & Functional Products. Strong demand in key end markets, including transportation, consumer durables, and building & construction, led to volume / mix increasing 3 percent over 2019 and 2 percent over 2020. Strength in Asia Pacific was primarily due to growth in coatings additives, performance films, and specialty plastics. Underlying volume trends were strong but impacted by Winter Storm Uri. Pricing increased due to higher raw material and energy prices and higher distribution prices, especially with tight market conditions in Chemical Intermediates. Adjusted EBIT increased primarily due to more favorable product mix, partially offset by higher raw material, energy, and distribution costs. Costs from the impact of Winter Storm Uri, resulting in an outage at our Longview and Texas City, Texas sites, totaled approximately $30 million, with approximately $20 million in Chemical intermediates and approximately $10 million in Additive & Functional Products.

On a sequential basis, revenue increased 10 percent through a combination of 5 percent higher volume / mix and 5 percent higher pricing. Adjusted EBIT margin expanded 150 basis points as our business teams did a nice job reacting to a volatile market due to rapidly rising raw material prices, strong demand, and low inventory levels across several of our end markets. Adjusted EBIT increased due to higher volume and more favorable product mix in Advanced Materials and Additives & Functional Products and improved spreads in Chemical Intermediates, which were partially offset by the impact of Winter Storm Uri, higher raw material and energy costs and higher distribution costs.

This was a strong start to the year, and we are well-positioned to continue our growth for the rest of the year. Our success comes from the incredible execution of our teams around the world in a very volatile market.

Slide 5 – 1Q 2021 financial results – Advanced Materials

Advanced Materials posted strong results year-over-year with revenue growth of 16 percent, led by volume / mix gains across all three businesses, particularly in Asia, and a favorable currency impact of 2 percent. The growth was led by continued strong demand in consumer durables, transportation, and packaging end markets. Performance films revenue was up almost 40 percent, and the business is building upon its excellent momentum established in 2020. The outperformance of this business is a leading example of our innovation-driven growth model in action as our teams have driven an exceptional upgrade in our product mix through market penetration and strong momentum of next-generation products and services.

Adjusted EBIT increased year-over-year, and the adjusted EBIT margin increased 370 basis points to 21.1 percent, led by innovation-driven growth on top of a strong recovery in transportation, durables, and electronics end markets. Current headlines about OEM chip shortages have not to date materially impacted Eastman given our customers and OEMs are shifting production choices to align to models where parts are available and overall automotive value chain inventory levels remain low.

On a sequential basis, revenue increased 6 percent primarily due to strong sequential volume /mix growth. Adjusted EBIT also increased due to better product mix across all businesses, partially offset by higher raw material and energy costs, and higher distribution costs.

Looking into the second quarter, demand for our products remains strong, but some raw material and supply constraints are limiting our ability to capture increasing levels of demand. In particular, shortages in Vinyl-Acetate Monomer (VAM) are creating challenges in meeting demand in advanced interlayers. Additionally, tight supply/demand fundamentals in specialty plastics and advanced interlayers are resulting in higher raw material and distribution costs. Additionally, we continue to implement increasing prices to start recovering increasing raw material, energy, and distribution costs. We also expect limited growth in volume / mix in the second quarter due to some capacity constraints. Taking all these factors together, we expect Q2 adjusted EBIT to be similar to Q1 adjusted EBIT.

As we move into the second half of the year, we expect both the raw material supply constraints and higher logistics costs to moderate. Our prices in Advanced Materials, which usually lag higher raw material prices, are expected to catch up in the second half of the year. We also expect continued strength in key end markets, including consumer durables, transportation, and packaging, and an improvement in our capacity constraints. And we expect to benefit from improving capacity utilization. These earnings tailwinds will be partially offset as we continue investing in growth. Taken together, we expect Advanced Materials adjusted EBIT to be above $600 million for 2021, which would be a new annual record for the segment and very strong performance relative to 2018, before the disruption from trade disputes and then COVID-19.

Slide 6 – Eastman circular economy initiatives gaining momentum with specialty plastics customers

Back in January, we gave you an update on the progress we are making with our circular economy initiatives, including announcing that we are building one of the world's largest plastic-to-plastic molecular recycling facilities at our manufacturing site in Kingsport,

Tennessee. Since that announcement, we've broken ground on the facility and continue to target mechanical completion by year-end 2022.

Even more impressive is the amount of momentum we are building with customers in many different markets around the world. The demand for our Renew branded products, including Eastman Tritan™ Renew and Eastman Cristal™ Renew, is strong.

One example is Estée Lauder Companies (ELC), who selected Eastman Renew materials to meet their 2025 sustainable packaging commitments while maintaining the high-quality aesthetic, safety and performance of their prestige products. ELC's portfolio of brands will soon begin incorporating solutions enabled by Eastman molecular recycling technologies and its portfolio of Renew resins with up to 100% certified recycled content.

Another example is Tupperware Brands, which is expanding its ECO+ product portfolio with Eastman Tritan™ Renew, which will enable the use of recycled material in the company's more transparent designs. Tupperware is committed to working together with Eastman to reshape what is possible in regard to recycled material.

In the consumer durables space, Nalgene, Camelbak, Hydrapak, and Ello have launched reusable sports bottles, Williams Sonoma has released consumer drinkware, and in the consumer electronics space, Lander has adopted Tritan™ Renew for use in iPhone cases. In eyewear, brand houses like Thélios and Marchon have adopted production of eyewear made with Acetate Renew, and we expect the announcement of additional brand collections later this year.

At this point, demand for our specialty plastics circular economy offerings has been even better than we anticipated. And specific to the new facility that we announced, we are ahead of schedule in terms of customer demand for the capacity. We have a robust pipeline for additional announcements through the year, and we are looking forward to sharing those with you.

A common theme across our customers is they are excited about our solution to the large amount of plastic waste that cannot be mechanically recycled **and** that we can provide products with no compromise in performance **and** we can do this with a lower carbon footprint relative to using fossil feedstocks.

Slide 7 – 1Q 2021 financial results – Additives & Functional Products

Sales revenue increased 6 percent year-over-year driven by 3 percent volume / mix growth and a favorable currency impact of 3 percent. Greater than 20 percent coatings additives volume / mix growth was due to robust demand in the transportation end market, particularly in Asia, and continued solid demand in consumer durables and building & construction end markets. Care chemicals revenue was up high-single-digits as strong demand continued for products used in the personal care end market. These gains were partially offset by continued weakness in the market for aviation fluids, which continues to recover from the impact of COVID-19; we expect this headwind to be approximately $30 million compared to 2019.

EBIT decreased year-over-year as higher sales volume and more favorable product mix was more than offset by an approximately $10 million headwind from the impact of Winter Storm Uri, and our price increases are catching up to higher raw material, energy, and distribution costs.

On a sequential basis, revenue increased 13 percent driven mostly by higher volume / mix, which increased 10 percent and was higher across all product lines, led by coatings additives. Pricing was higher by 3 percent. Adjusted EBIT increased driven by higher volume, more favorable product mix, and higher prices partially offset by higher raw material and energy costs and higher distribution costs.

Due to our prioritization of cash last year, we entered 2021 with very low inventories. As demand has picked up rapidly across our end markets since the beginning of the year, we have operated our plants at high levels of utilization just to keep up with demand. Ahead of a large maintenance shutdown in Additives & Functional Products in the second quarter, we have been unable to build a meaningful amount of inventory. As a result, we expect volume to be about flat sequentially in the second quarter as growth in some markets will be offset by lower volume due to the shutdown. We also expect higher costs and limited capacity to serve demand related to the maintenance shutdown in the second quarter. Taking it all together, we expect second quarter adjusted EBIT to be slightly lower than the first quarter.

For the full year, we expect Additives & Functional Products earnings to be greater than $500 million, but below 2019 adjusted earnings of $550 million due to a $30 million headwind in aviation fluids related to the continuing impact of COVID-19.

Slide 8 – Bolt-on acquisition of 3F Feed & Food strengthens animal nutrition business

Today we are announcing the acquisition of 3F Feed & Food, a leading animal health and nutrition company located in Spain. 3F is expected to strengthen and support continued global growth of Eastman's animal nutrition business and will become part of the Additives & Functional Products segment. With this bolt-on acquisition, we strengthen our ability to penetrate the approximately $3.5 billion global eubiotics market with organic acid and derivative solutions which are heavily reliant on Eastman's integrated streams, augmented by 3F's portfolio of natural ingredient phytogenics. Sustainability trends are an important driver of growth in this market, including the need for reduced emissions and a shift away from antibiotic growth promoters and other materials of concern in diets. 3F also brings new research and development expertise to Eastman. We are excited to welcome the 3F team to Eastman.

Slide 9 – 1Q 2021 financial results – Fibers

Sales revenue increased 2 percent year-over-year driven by 3 percent volume / mix growth. Demand for textiles products, including Naia™ and Naia™ Renew, recovered more quickly than expected, particularly in Asia. Textiles products volume grew 48 percent driven by end-market recovery and our innovation and market development efforts. This growth was partially offset by the previous discontinuation of a tobacco specialty product. Acetate tow volume was stable.

EBIT decreased year-over-year primarily due to the discontinuation of a tobacco specialty product, higher raw material and energy costs, and higher distribution costs. Fibers also had modestly higher growth spending for the textiles business.

In the second quarter, we expect textiles volume to continue recovering. We also expect a modest decline in acetate tow volumes due to customer buying patterns and a modest impact

from maintenance shutdowns. All together, we expect second-quarter adjusted EBIT to be slightly lower than first quarter.

For the full-year, we continue to expect stable segment adjusted EBIT compared to last year as strong growth in textiles, fueled by our sustainable offerings in biopolymers and recycled content, and better capacity utilization will be offset by the impact of the previous discontinuation of a tobacco specialty product, which is a $10 million headwind, and modest declines in tow volumes, consistent with the market.

Slide 10 – Naia™ portfolio gains traction as a sustainable biopolymer fiber with fashion brand adoptions across the globe

As mentioned in the previous slide, we are making great progress in the textiles market. Our Naia™ brand continues to build momentum and gain recognition as a sustainable biopolymer fiber solution. A key reason that we are gaining momentum is that Naia™ fibers are inherently renewable and bio-based – these materials are produced from sustainably sourced, Forest Stewardship Council (FSC) certified wood pulp, and are manufactured in a process with a low carbon footprint. Naia™ fibers are certified as biodegradable and our Naia™ Renew products contain 40% certified recycle content.

Fashion brands around the world are increasingly recognizing the value proposition of Naia™, which is being selected not only because of its strong biopolymer attributes and our new ability to close the loop with recycled content, but also because of its impressive performance in both woven and knit applications, particularly in women's fashion. We have seen particularly strong growth with local Chinese brands as the fashion industry emerges from a challenging 2020, having achieved adoption by 43 brands, which have signed trademark licensing agreements to use the Naia™ brand trademark and hangtags. We expect the increasing momentum with Naia™ and Naia™ Renew will continue to contribute to the stabilization of Fibers results in the near-term and deliver net growth in the future.

Slide 11 – 1Q 2021 financial results – Chemical Intermediates

Sales revenue increased 2 percent as higher pricing of 14 percent was mostly offset by lower volume / mix of 13 percent. Higher selling prices were due to very tight market conditions and sharply rising raw material, energy and distribution prices. The volume decline was due to the previously announced discontinuation of certain product lines at the Singapore manufacturing site and reduced sales from the outages at the Longview and Texas City, Texas sites due to Winter Storm Uri.

Adjusted EBIT decreased compared to last year due to an approximately $20 million of costs related to Winter Storm Uri, partially offset by increased spreads and lower operating costs. The Chemical Intermediates team reacted quickly to a dynamic environment and worked hard to successfully implement price increases to more than offset raw material price inflation. The functional amines business, which had stable revenue in the first quarter, continues to be a meaningful contributor to the revenue and earnings of the segment, including higher than segment average EBIT margins and impressive resilience last year and solid growth expected this year.

On a sequential basis, sales revenue increased due to strengthened demand and higher raw material and energy, and distribution prices, partially offset by lower volume / mix due to the impact of Winter Storm Uri. EBIT increased due to higher spreads.

Looking into the second quarter, we expect strong supply / demand fundamentals to remain, with higher pricing leading to increased spreads. These higher spreads and the lack of costs from Winter Storm Uri and lower operating costs will be partially offset by higher turnaround costs. All in, we expect Chemical Intermediates adjusted EBIT to be significantly above first-quarter levels.

For the full-year, while some uncertainties exist regarding the duration of the current supply /demand environment, we expect adjusted EBIT to be substantially above 2018 levels.

Slide 12 – 1Q 2021 cash flow and other financial highlights

First-quarter free cash flow was a record $125 million. Dividends were $94 million, and share repurchases were $40 million. Consistent with the increase in our full-year earnings

expectations, we now expect full-year free cash flow to approach $1.1 billion. Priorities for use of cash remain the payment of our dividend, reducing net debt by approximately $300 million, bolt-on acquisitions, and share repurchases. We expect to repurchase approximately $350 million of shares in 2021, with $40 million having been repurchased in the first quarter. Net debt ended the first quarter below $5 billion and with adjusted EBITDA growing, our net debt to EBITDA ratio is expected to be below 2.5x by year-end. Our first-quarter adjusted effective tax rate was 15.5 percent, and we continue to expect our full-year adjusted effective tax rate to be between 15 percent and 16 percent. Capital expenditures are expected to be between $500 and $525 million. We expect non-segment "Corporate Other" loss before interest and taxes of approximately $20 million for full-year 2021. The sequential headwind in second quarter from manufacturing maintenance shutdowns is expected to be about $35 million, slightly more favorable than our original outlook back in January.

Slide 13 – 2021 outlook

Throughout the first quarter, demand continued to be robust. Inventories across the markets we serve remain low, and while uncertainties still exist, we enter the second quarter with strong momentum. We also expect to continue to benefit from cost discipline, including lower operating costs from our operations transformation program. However, there are specific headwinds we face as we enter the second quarter, including maintenance turnarounds, supplier reliability, and some slowdown in auto production. In addition, we have price increases that are continuing to catch up to higher raw material and distribution costs. Despite these headwinds, we expect a sequential increase in EPS compared to the first quarter, with second-quarter adjusted EPS expected to be at or above second-quarter 2018 adjusted EPS of $2.22.

Moving to the full year, we expect strong market growth and product mix improvement to continue. Our innovation-driven growth model should enable us to grow faster than the underlying strong market recovery. This doesn't just give us volume growth, but also a very strong mix improvement. And we expect a number of markets will be rebuilding inventory levels. We also expect much of the capacity constraints, supplier reliability, and logistics headwinds to lessen alongside a potential moderation in tight commodity markets. We expect

to continue to benefit from about a $100 million full-year tailwind from improved capacity utilization compared with last year when we aggressively managed inventory well beyond the decline in demand. And we are on track to keep our cost structure flat compared with 2020, and well below 2019 and 2018 levels. We therefore expect adjusted EPS will be between $8.25 and $8.75 for full-year 2021.

On cash, we expect free cash flow to approach $1.1 billion, which is consistent with our expectations for stronger adjusted EBITDA. We expect 2021 will be our 5th consecutive year with free cash flow greater than $1 billion, and we will work to grow free cash flow from here.

And as I reflect on how we've positioned our company through the global trade disruptions of 2019 and then COVID-19 in 2020, I feel confident in our ability to grow EPS and cash off of this new level of earnings. Despite a challenging macroeconomic backdrop over the last several years, we have not sacrificed our efforts to innovate and invest in our specialty portfolio, and I expect those investments to continue to pay off as we move beyond 2021.

Slide 14 – Innovation-drive growth model is paying off

All this reminds me about what gives Eastman this incredible resiliency and strategic advantage -- first and foremost, it's the people at Eastman who continue to persevere and help us win. We also benefit significantly from our proven innovation-driven growth model. The combination of our diverse technology platforms, deep market engagement, and differentiated application development has been proven over the years as we've grown faster than our underlying end markets. How we leverage this model will continue to be key to how we win going forward. 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.