Eastman Q2 2021 Financial Results Prepared Remarks

August 2, 2021

Slides 1 and 2:

This document is the CEO's and CFO's prepared remarks for Eastman Chemical Company's second-quarter 2021 financial results. This is to be read with the second-quarter 2021 financial results news release and the slides detailing our second-quarter financial results, both of which were publicly issued and posted on our website (investors.eastman.com) after the close of NYSE trading on August 2, 2021. On August 3, 2021, at 9:00 a.m. ET, Mark Costa, Board Chair and CEO, and Willie McLain, Senior Vice President and CFO, will host a public question-and-answer session with industry analysts that anyone can listen to on our website or by telephone as detailed in our financial results news release. This document, the accompanying slides, and the call/webcast that follows include certain forward-looking statements concerning our plans and expectations. Certain risks and uncertainties that may cause actual results to be different than our plans and expectations are or will be detailed in the company's second-quarter 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-Q filed for first quarter 2021 and the Form 10-Q to be filed for second quarter 2021. All earnings referenced in this presentation, the accompanying slides, and the call/webcast exclude certain non-core items. Reconciliations to the most directly comparable GAAP financial measures and other associated disclosures, including a description of the excluded and adjusted items, are available in the second-quarter 2021 financial results news release.

Slide 3 – Recent highlights

The first half of 2021 was dynamic and high-paced, and the Eastman team executed at an outstanding level to deliver strong results. During the second quarter, end markets recovered meaningfully, and we grew faster than these underlying end markets as we made great progress on our innovation and market development initiatives. We also did a great job managing prices compared to rising raw material prices and higher distribution costs in our specialty segments. Commodity markets were also historically tight, and the Chemical Intermediates segment navigated the quarter well and delivered impressive results. With all of these moving parts, the Eastman team delivered record revenue and adjusted EPS. Equally impressive was the strong free cash flow through the first six months of the year. Free cash flow was more than first half of 2020 against the backdrop of higher raw material prices and increasing sales—in other words, we continue to demonstrate that our high-quality portfolio and our investments in inventory management and digital tools can work together to deliver strong free cash flow in almost any economic environment.

Eastman employees did an excellent job executing in what continues to be a challenging operating environment. We managed the impact of Winter Storm Uri, bringing our facilities back online safely and quickly in order to ensure supply for our customers. We managed supply chain disruptions, including limited or no raw material availability in certain areas, and severe logistics constraints requiring flexibility. And we've managed the very strong rebound in demand across our end markets, which requires operational excellence. Our record second-quarter results reflect the outstanding efforts of Eastman employees around the world in all of these areas and more.

Over the last few months, we have also made great strides leveraging our innovation-driven growth model. Our New Business Revenue from innovation and market development, which measures how well we're growing new products and sales of existing products into new applications, is well ahead of our original expectations for 2021. We delivered over $300 million new business revenue from innovation in the first half of 2021, and we expect to generate approximately $600 million for the full year. The strong start this year was driven by our

superior customer engagement model that we maintained through the challenges of 2020, and the compelling value that our customers see in our innovative products.

We also announced an agreement to divest certain product lines of our tire additives business to One Rock Capital Partners, LLC. This agreement, which includes a purchase price that values the product lines at greater than 8x adjusted EBITDA on a normalized basis, is a key step on our path to address the underperforming businesses within Additives & Functional Products. We continue to evaluate other actions to improve our AFP segment.

We also continue to make great progress with our circular economy initiatives, with strong demand for our Renew branded products. Since the first quarter, we've announced agreements and collaborations with a number of global brands serving diverse end markets, including electronics, auto, and fast-moving consumer goods. As a result, we are ahead of schedule with customer demand for our methanolysis molecular recycling facility.

In addition, we continue to drive the circular economy platform from every angle, including digital. We are proud to highlight our collaboration with SAP GreenToken technology. The Eastman and SAP collaboration will leverage the blockchain-based platform of GreenToken to provide visibility through the value chain of sustainable products, such as the specialty plastics produced with Eastman's molecular recycling technologies. Through data transparency enabled by blockchain, the platform is designed to give brands and consumers traceable information of sustainable attributes of products, including their percentage of certified recycled content.

And finally, our strong momentum is building and sustaining. We are well-positioned for continued earnings and free cash flow growth beyond 2021. Our innovation and market development initiatives are paying off, and our robust portfolio of specialty products is poised for continued excellent growth, even as spreads in some commodity markets normalize.

Slide 4 – 2Q 2021 financial results – Corporate

Record revenue and adjusted EPS reflect strong end-market demand, above-market growth from our innovative products, and higher prices. Compared with second quarter 2020,

revenue and adjusted EBIT were up significantly as the year-ago period was acutely impacted by lockdowns and other weakened business conditions resulting from COVID-19.

Compared to first quarter 2021, revenue increased led by higher selling prices due to higher raw material prices, higher distribution costs, and tight market conditions. Sequential volume / mix growth was led by key end markets including building & construction and consumer durables. Adjusted EBIT increased due to higher spreads in Chemical Intermediates and improved product mix due to increased sales of specialty products. Strong adjusted EBIT growth was partially offset by higher planned manufacturing maintenance costs of about $30 million as well as higher short-term distribution costs.

Slide 5 – 2Q 2021 financial results – Advanced Materials

Compared with second quarter 2020, revenue and adjusted EBIT were up significantly as the year-ago period was acutely impacted by lockdowns and weakened business conditions resulting from COVID-19.

Compared to first quarter 2021, sales revenue increased due to strong demand across multiple end markets including consumer durables, building & construction, and medical. Revenue in the transportation end market was flat sequentially as growth in performance films was offset by headwinds in advanced interlayers due to automotive OEM production slowdowns related to the microchip shortage and raw material supply constraints. Specialty plastics, which grew earnings through global trade disruptions in 2019 and the pandemic of 2020, continues to grow faster than its underlying end markets. In particular, we are seeing strong continued growth in Tritan™ copolyester, which grew volume sequentially from already healthy levels in the first quarter. For example, in consumer durables, end-market application wins accelerated by our Renew offerings with recycled content are contributing to growth. In addition, as elective procedures recover to approach pre-pandemic levels, demand for our medical applications is increasing. Adjusted EBIT increased slightly sequentially as a strong increase in sales volume and higher prices were mostly offset by a short-term increase in distribution costs and our continued investment in growth in this business.

Looking ahead to the third quarter, we expect modest sequential revenue growth as momentum continues in end markets such as building & construction, consumer durables, and medical. Additionally, the conversion of an extra polymer line from standard copolyester capacity to Eastman Tritan™ copolyester will pay dividends as growth in Tritan continues. However, we continue to face uncertainty in logistics and auto OEM demand. All in, we expect third-quarter adjusted EBIT to be slightly up from second-quarter levels.

For full year 2021, we expect second-half adjusted EBIT to be slightly better than first half, which would result in full-year adjusted EBIT being more than $100 million better than 2018. We expect pricing to catch up to raw material costs through the second half of the year. We also expect to continue growing faster than our end markets due to innovation and market development initiatives. Advanced Materials is on track to deliver an approximately 20% adjusted EBIT margin for the year while facing tremendous inflationary pressure—a true testament to the high-quality portfolio of products within the segment.

Slide 6 – Ahead of schedule with customer volume commitments for methanolysis molecular recycling facility

While we are continuing to make progress on our methanolysis facility, with mechanical completion expected by year-end 2022, we are also continuing to build momentum with customers in many different markets around the world. Demand for our Renew branded products, including Eastman Tritan™ Renew and Eastman Cristal™ Renew, continues to strengthen, and we remain ahead of schedule in terms of customer demand for the capacity.

Since the first quarter of the year, we've added agreements and collaborations with a Chinese company that serves the global electronics market, an Italian company that is a world leader in the luxury industry, U.S. companies that serve the automotive supply chain, and a global leader in consumer technology solutions.

We are very excited to announce an agreement with Procter & Gamble to further accelerate the transformation of plastic packaging and to collaborate on recycling solutions to enable a circular economy. P&G will use Eastman Renew materials in select products and packaging, supporting both companies' goal to reduce the use of virgin plastic from fossil

resources. In addition to product innovation, P&G and Eastman will collaborate on initiatives addressing the infrastructure needed to increase plastic recycling rates.

We continue to see a common theme across our customers as they engage with Eastman and our Eastman Renew materials: 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 – 2Q 2021 financial results – Additives & Functional Products

Compared with second quarter 2020, revenue and adjusted EBIT were up significantly as the year-ago period was acutely impacted by lockdowns and weakened business conditions resulting from COVID-19.

Compared to the first quarter 2021, sales revenue increased due to higher selling prices as the business team did a great job keeping pace with rising raw material costs. Volume / mix was flat as growth in building & construction end markets was offset by limited product availability for care chemicals product lines due to a large, planned manufacturing maintenance shutdown. Adjusted EBIT was slightly lower as higher shutdown costs of approximately $20 million were partially offset by improved spreads.

The coatings additives team managed spreads well in a dynamic raw material environment. Innovation and market development initiatives as well as robust demand in markets like building & construction and auto paint coatings has the coatings additives business on track for record earnings in 2021, well above 2018 levels in line with our customers. Driving this growth is higher volumes and improved product mix. This includes recovering demand for our cellulosic biopolymer additives for the auto coatings market, particularly in China, as well as improving demand for our Eastman EastaPure™ products in the semiconductor market. We are also making great progress with our Eastman Tetrashield™ protective resins for the can coatings market, where our product is in approximately 2 billion cans globally to date, validating our strong value proposition.

In the third quarter, we project our capacity utilization will return to normal rates at our care chemicals facility in Belgium. As a result, we expect to have more capacity to serve continued strong demand and therefore expect volume and capacity utilization to increase sequentially. We also expect to keep pace with higher raw material costs. All together, we expect adjusted EBIT to increase sequentially and to be above third quarter 2019.

For the full year, we expect adjusted EBIT to be slightly better in the second half compared to the first half of 2021 as we benefit from strong demand and lower maintenance shutdown costs. Looking at our expected results, the “two-thirds” (excluding the tire additives and adhesives resins businesses) of AFP is expected to grow adjusted EBIT above 2018 levels, including the headwind this year from reduced aviation fluids demand.

Slide 8 – 2Q 2021 financial results – Fibers

Compared with second quarter 2020, higher volumes were driven by the continued recovery of the textiles end market, which was negatively impacted by COVID-19. Lower selling prices were mostly due to previously negotiated multi-year contracts for acetate tow.

EBIT decreased as higher textiles sales volume was more than offset by lower selling prices and the discontinuation of a tobacco specialty product.

Compared to first quarter 2021, sales revenue increased due to higher volume / mix attributed in part to growth in high-priority textiles end markets, including women’s wear. EBIT was lower primarily due to higher manufacturing maintenance shutdown costs.

Looking to the third quarter, we expect stable revenue compared to the second quarter, while adjusted EBIT is expected to be similar to first quarter primarily due to a lack of manufacturing maintenance shutdown costs.

For the full year, we expect second half adjusted EBIT to be slightly better than first half due to continued recovery of textiles end markets, the positive impact of price increases mitigating inflationary pressures, and lower shutdown costs, partially offset by textiles products growth investments. As a result, we expect full-year adjusted EBIT to be slightly below 2020.

Slide 9 – 2Q 2021 financial results – Chemical Intermediates

Compared to second quarter 2020, revenue increased significantly driven by higher selling prices and tight market conditions. Similarly, revenue increased sequentially from the first quarter due to higher selling prices resulting from rising raw material prices and tight market conditions. Adjusted EBIT both year over year and sequentially increased due to increased spreads. The Chemical Intermediates business team did an excellent job managing pricing compared to significantly higher raw material and distribution costs.

Pricing and demand held up well in July. Our base case assumption is that some moderation in market tightness will occur through the fall season. For the third quarter, we project robust demand for our downstream specialty segments will consume some volumes in Chemical Intermediates—therefore we expect a modest sequential decline in sales volume. This is consistent with our strategy for CI, which in part is to enable growth in our specialty segments. We also expect some moderation of pricing from currently elevated levels as well as lower shutdown costs in the third quarter compared to the second quarter. All in, we expect adjusted EBIT to be somewhat lower than second quarter, but still significantly above first quarter.

Slide 10 – 1H 2021 cash flow and other financial highlights

Our free cash flow and balance sheet continue to be a source of strength for Eastman. Through the first six months of 2021, free cash flow was 8% above last year, and this is despite strong revenue growth and high raw material prices resulting in increased working capital. We now also expect free cash flow to be greater than $1.1 billion, as we continue to do a good job converting earnings growth into cash. We believe Eastman's cash engine continues to demonstrate the ability to generate excellent free cash flow in almost any economic environment.

Between our strong, growing free cash flow and our strengthened balance sheet, we will enter 2022 with significant strategic flexibility. Every year, we continuously invest in specialty capacity expansions and debottlenecking projects across our portfolio. We brought a number of manufacturing plant expansions online across our specialty products in 2018, and

we held steady in our investment levels even through the uncertainties of the trade disruptions of 2019 and global pandemic of 2020. We also have a number of expansions occurring this year. As a result, we expect to enter 2022 with the capacity to serve continued strong demand. We are also focused on deploying our cash across several high-return buckets including M&A, organic growth, including circular economy, and share repurchases, as well as growing our dividend. Our forecasted full-year adjusted tax rate remains between 15% and 16%.

Slide 11 – 2021 outlook

As we move into the back half of the year, we have a number of reasons to be confident that the strong earnings momentum we've built through the first half will continue. First, demand across our key end markets remains robust. We expect our innovation-driven growth model will continue driving above-market growth across our specialty products lines. We also expect raw material supply shortages to moderate in the third quarter and some of the short-term distribution headwinds to begin to abate. Lower shutdown costs in the third quarter and expanded specialty capacity will provide us more opportunity to serve strong underlying demand as our end markets continue to recover. And we expect prices in our specialty businesses will catch up to higher raw material costs through the back half of the year. As demand remains strong, we also expect our capacity utilization to remain at a high level, which should continue to provide a significant asset utilization tailwind. We also expect to repurchase approximately $250 million of shares in the second half of 2021.

There are also some headwinds and uncertainties in the back half of the year. First, supply chain and logistic constraints remain a risk as demand continues to be strong. Second, auto OEM demand remains uncertain due to component issues, particularly related to microchip supply shortages. And in Chemical Intermediates, we expect some normalization of spreads, but the pace is difficult to predict.

When taking all these tailwinds and headwinds together, we expect third-quarter adjusted EPS to be similar to or slightly higher than second-quarter adjusted EPS. For the full year, we expect adjusted EPS to be between $8.80 and $9.20, which would be strong performance for Eastman, above our previous high of $8.20 in 2018. Advanced Materials has

grown tremendously since 2018, and the two-thirds of AFP is also expected to grow above 2018 this year despite headwinds from aviation fluids. The mix of our earnings is tilted towards the high-quality specialty part of our portfolio, and it's this robust earnings growth that is expected to provide strong results in future years.

On cash, our focus is always to grow free cash flow in line with earnings growth. We now expect free cash flow to be greater than $1.1 billion for full year 2021, the fifth consecutive year of free cash flow above $1 billion. We believe our cash generation this year further demonstrates our ability to generate robust cash flow across a variety of economic environments.

Slide 12 – Well-positioned for strong EPS and FCF growth in 2022

Taking an early look at 2022, there are a number of reasons why we are confident in our ability to grow adjusted EPS compared with our expected record adjusted EPS in 2021.

First, some end markets are not expected to fully recover until 2022 or beyond. For example, automotive OEM chip issues should moderate next year, helping the supply chain return to normal in the auto industry. And, we expect global building and construction recovery to continue as supply constraints improve. In addition, our aviation fluids product line, which is leveraged to increasing miles flown, is expected to have a better year in 2022 compared to 2021 as international travel recovers.

Second, our innovation-driven growth model is expected to drive above-market growth as it is doing in 2021. Strong growth this year in specialty plastics, performance films, coatings additives, animal nutrition, and other specialty products is expected to remain robust next year. We will continue to build momentum in the circular economy with customer wins as we move toward expected mechanical completion of the methanolysis facility at year-end 2022. Overall, we think that specialty businesses can grow 2x their underlying end markets, all leading to new business revenue growth that makes a meaningful contribution to the bottom line.

Third, as always, we will remain a disciplined steward of our costs. Investments we've made across several areas such as digitization, operations transformation, and site optimization

are expected to provide an approximately $100 million net benefit to our cost structure in 2022 compared to 2021.

Fourth, we expect to benefit from roughly $50 million of lower shutdown and distribution costs in 2022 compared to 2021. As a reminder, we delayed several maintenance shutdowns scheduled for 2020 to 2021 to ensure the safety of our employees and minimize the number of non-critical personnel at our sites during the height of COVID-19.

Finally, we expect to put our cash to work. With delevering expected to be behind us by the end of 2021, the bulk of our free cash flow is expected to be allocated toward our growing dividend, bolt-on M&A, and share repurchases.

There are also some headwinds that we expect, including a normalization of Chemical Intermediates spreads in 2022 and an increase in growth spending. With strong innovation platforms across the company that are translating into customer orders, we will continue investing in our growth capabilities in application development, sales, and marketing.

All in, we are well-positioned for earnings growth in 2022 as the power of our innovation-driven growth model sustains our momentum.

Slide 13 – Eastman people at the heart of our innovation-driven growth model

I'd like to take a moment to highlight the more than 14,000 Eastman employees around the world who are driving incredible results this year. We often talk about the strength of our portfolio and the power of our innovation-driven growth model—and we firmly believe in the importance of those things. But at the heart of everything we highlight to investors are our people—the Eastman employees around the world who show up around the clock to make our products, engage with customers, drive innovation, and grow the company. The Eastman team has worked tirelessly over the last several months during an incredibly challenging and dynamic time. Their commitment to our company is inspiring, and I'm personally grateful for their perseverance, professionalism, results-oriented mindset, and commitment to safety. I am confident that the best is yet to come for Eastman, and our people are taking us there.