Eastman Q3 2021 Financial Results Prepared Remarks

October 28, 2021

Slides 1 and 2:

This document is the CEO's and CFO's prepared remarks for Eastman Chemical Company's third-quarter 2021 financial results. This is to be read with the third-quarter 2021 financial results news release and the slides detailing our third-quarter financial results, both of which were publicly issued and posted on our website (investors.eastman.com) after the close of NYSE trading on October 28, 2021. On October 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 third-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 second quarter 2021 and the Form 10-Q to be filed for third quarter 2021. All earnings referenced in this presentation, the accompanying slides, and the call/webcast exclude certain non-core and unusual items. Reconciliations to the most directly comparable GAAP financial measures and other associated disclosures, including a description of the excluded and adjusted items, are available in the third-quarter 2021 financial results news release.

Slide 3 – Recent highlights

The Eastman team continues to make excellent progress on delivering strong results across our portfolio in an incredibly challenging and dynamic business environment. Our teams have worked hard to safely operate our plants, manage extremely challenging logistics, navigate low industry inventory levels, and offset increasingly high levels of variable cost inflation. We also experienced a significant decline in transportation demand from automotive OEM component shortages during the quarter. Despite these challenges, Eastman employees pulled together to deliver third-quarter adjusted EPS that equals the second quarter of 2021, tying our all-time record.

Beyond our financial results, we also have several other highlights to cover. Our progress on circular economy initiatives continues to be recognized with both awards and partnerships with leading brands. Earlier this month, Fortune Magazine named Eastman to its 2021 *Change the World* list for our leadership in circular economy, and we were the only materials company to be selected. One of the key factors Fortune uses to evaluate companies is "measurable social impact," which carries extra weight in the magazine's evaluations. In determining the list, Fortune editors and writers use that factor to consider "the reach, nature and durability of the company's impact on one or more specific societal problems." We are proud of this recognition and look to continue our leadership in the circular economy, which is also opening up new markets for our products. We recently announced an agreement with Stanley Black & Decker to supply Tritan™ Renew to create power tools with a sustainable focus. Stanley Black & Decker and the BLACK+DECKER brand are releasing a new product line, reviva™, offering the brand’s first sustainability-led power tools that utilize Eastman’s Tritan Renew copolyester. With 50 percent certified recycled content in the enclosures, the BLACK+DECKER reviva™ line will launch in early 2022.

While we normally share more progress on our innovation and market development initiatives in our prepared comments, we are instead saving those and much more for our Innovation Day to be held in person in New York City and virtually on December 7, 2021.

We are also pleased to have closed our acquisition of Matrix Films, LLC, marketer of PremiumShield performance films. This small bolt-on expands our paint protection film pattern

development capabilities, pattern database, and installation training expertise. It also complements our automotive dealer base in North America, Europe, and the Middle East to drive growth in paint protection films and window films.

And earlier today, we announced a definitive agreement to sell our adhesives resins business to Synthomer plc for total cash consideration of $1 billion, with closing expected in first quarter 2022. This business is currently part of the 1/3rd of Additives & Functional Products for which we have been pursuing strategic actions. The total sale price represents a multiple of 11 times trailing twelve-months adjusted EBITDA, and we expect the sale to be neutral to adjusted earnings per share in 2022. With the completion of this transaction and the previously announced divestiture of the tire additives business, the resiliency and strong margins of the remaining 2/3rds of Additives & Functional Products will be evident, and AFP will be well positioned for growth going forward.

Slide 4 – 3Q 2021 financial results – Corporate

Third-quarter sales revenue of $2,720 million is an all-time quarterly record reflecting strong end-market demand, innovation driving above-market growth, and higher selling prices. Despite significant and accelerated inflation of variable costs through the quarter, adjusted EPS of $2.46 matched second quarter 2021.

Compared to third quarter 2020, sales revenue increased due to higher selling prices of 19 percent led by Chemical Intermediates. Nine percent higher sales volume/mix was due to continued strong recovery of demand across key end markets and our innovative products enabling above-market growth, especially in building & construction, transportation, and consumer durables. EBIT increased due to higher sales volume and more favorable product mix due to increased sales of specialty products, particularly in Advanced Materials. Spreads were flat as increased Chemical Intermediates spreads due to strong market conditions were offset by a lag in pricing catching up to higher variable costs in the specialty businesses. Through nine months, our specialty businesses have faced over $400 million of cost inflation, including raw material, energy, and distribution costs, and have been implementing price increases to recover spreads.

Our innovation-driven growth model continues to drive growth above our underlying end markets. In building & construction, 2021 revenue is expected to be high-single-digits percent above 2018 levels. In consumer durables, topline growth this year is expected to be more than 20 percent above 2018 levels. And in automotive, revenue is expected to increase approximately 4 percent in 2021 compared to 2018, significantly above global builds, which are expected to decline 20 percent. We are also benefitting from end markets with continuous solid growth, including personal care, water treatment, and animal nutrition.

Compared to second quarter 2021, sales revenue increased due to 4 percent higher selling prices offset by 1 percent lower volume/mix. The business teams continued to implement price increases across our portfolio to offset higher raw material, energy, and distribution costs. Lower volume/mix sequentially is partially due to increasing challenges in automotive OEM component shortages, which impacted our demand through the quarter. Adjusted EBIT decreased slightly due to higher raw material and energy costs outpacing higher selling prices. Distribution costs, which we projected to decrease sequentially, remained elevated in the third quarter. While specialty businesses price increases lag these higher variable costs, we are proactively working to offset these costs and expect spreads to be fully caught up in the early part of 2022.

Slide 5 – 3Q 2021 financial results – Advanced Materials

Compared to third quarter 2020, sales revenue increased 15 percent due to 10 percent higher volume/mix and 4 percent higher selling prices. Higher sales volume/mix was due to strong demand across key end markets including medical, consumer durables, and electronics. Very strong market demand for specialty plastics products continued to be limited by logistics constraints. Higher selling prices were due to higher raw material, energy, and distribution prices, particularly for specialty plastics, where selling prices rose 9 percent. EBIT decreased as more favorable product mix was more than offset by lower spreads and continued investment in growth.

Compared to second quarter 2021, sales revenue was unchanged as a 1 percent increase in selling prices was offset by a 1 percent decrease in sales volume/mix. Until the third

quarter, demand for Eastman premium products sold into the automotive market was largely unaffected by automotive OEM component shortages as premium vehicles were being prioritized. During the third quarter, demand for advanced interlayers further slowed as premium vehicles, which generally use more microchips, were negatively impacted by the component shortage as OEMs optimized their manufacturing plans. Despite this near-term challenge, Advanced Materials delivered strong growth across several end markets, including automotive. For example, global auto builds in third quarter 2021 were down 21 percent compared to third quarter 2018. And yet the combined volume/mix of our interlayers and performance films used in automotive applications was similar to third quarter 2018, reflecting tremendous innovation and product mix upgrade.

EBIT decreased sequentially due to higher raw material and energy costs as well as lower sales volume and less favorable product mix for advanced interlayers and performance films products used in automotive applications. Elevated distribution costs, particularly for specialty plastics, including usage of air-freighting to meet customer commitments, continue in this very strong demand and low inventory environment.

In the fourth quarter, we expect end-market demand outside of the challenges in automotive to remain strong. In specialty plastics, we expect a sequential increase in revenue due to higher pricing, reduced seasonality due to low inventories, and strong end-market demand. We see strong demand continuing for medical, durables, and building & construction. Performance films demand and revenue are expected to seasonally decline, consistent with consumer behavior during the winter months for these products. Spreads are expected to improve as selling price increases should partially offset expected increases in raw material, energy, and distribution costs. We also have pulled forward some manufacturing maintenance shutdowns into the fourth quarter from 2022 to improve the operational reliability of our plants ahead of next year, when we expect very strong demand, improved logistics, and a modestly recovering auto market. The headwind to adjusted EBIT related to these shutdowns, including costs and the volume impact, is about $25 million. When considering all of these factors, we expect fourth-quarter adjusted EBIT to be somewhat below third-quarter adjusted EBIT.

Slide 6 – 3Q 2021 financial results – Additives & Functional Products

Compared to third quarter 2020, sales revenue increased due to 18 percent higher selling prices and 16 percent higher volume/mix. Coatings and care additives businesses led the segment on both higher selling prices and higher volume/mix. EBIT increased due to higher sales volume and more favorable product mix, partially offset by lower spreads.

Compared to second quarter 2021, sales revenue increased 8 percent due to 7 percent higher selling prices and 2 percent higher volume/mix. Selling prices increased due to higher raw material and energy prices, which rose throughout the quarter. About half of the sequential price increase was related to cost-pass-through contracts. Higher sales volume was due to increased capacity for care additives, which completed a large, planned manufacturing maintenance shutdown in the second quarter and strong end-market demand in building & construction. This volume increase was partially offset by less favorable product mix due to decreased sales of certain high-value coatings additives sold into automotive applications. Adjusted EBIT increased due to modestly higher spreads and lower planned manufacturing maintenance shutdown costs. Underlying demand remained strong and stable during the quarter, and the business teams did a nice job implementing price increases to catch up to higher variable costs.

Ahead in the fourth quarter, we expect coatings additives volume/mix to decline sequentially due to headwinds related to auto OEM component shortages. We also expect seasonal decline in coatings additives used in building & construction and industrial applications. We also expect prices to lag in catching up to increasing raw material, energy, and distribution costs. The sale of certain tire additives product lines, which is expected to close in the fourth quarter, is expected to be a $10 million sequential headwind to EBIT. Netting all of these factors together, we expect Additives & Functional Products adjusted EBIT to be similar to fourth quarter 2020, which would be a strong result given the significant cost inflation this year.

Slide 7 – 3Q 2021 financial results – Fibers

Compared to third quarter 2020, sales revenue increased 8 percent due to 7 percent higher volume/mix. The textiles end market, which was negatively impacted by COVID-19 in

third quarter 2020, has continued to recover throughout 2021. We are also seeing strong customer adoption of our sustainable biopolymer yarn offering, Naia™. In particular, Naia™ is becoming a preferred option for brands that increasingly see value in the sustainability profile of Naia™ compared to competing products. EBIT decreased due to higher raw material, energy, and distribution costs, as annual and multi-year contracts for acetate tow limited our flexibility to raise prices in the middle of this year.

Compared to second quarter 2021, sales revenue was unchanged as 2 percent higher selling prices were offset by 2 percent lower volume/mix. EBIT decreased primarily due to higher raw material, energy, and distribution costs.

In the fourth quarter, we expect adjusted EBIT to be similar to third quarter despite continued higher raw material and energy costs. As we move into 2022, more than half of the revenue across the segment is being renegotiated to increase prices and recover spreads that have compressed in 2021.

Slide 8 – 3Q 2021 financial results – Chemical Intermediates

Compared to third quarter 2020, revenue increased 44 percent as selling prices were 46 percent higher. Raw material, energy, and distribution prices were all higher year over year, and the Chemical Intermediates team did a nice job keeping pace with these rising prices. EBIT increased significantly due to higher spreads.

Compared to second quarter 2021, sales revenue decreased 1 percent due to 5 percent lower volume/mix and 4 percent higher pricing. The volume decline was due to seasonality in Functional Amines sold into the agriculture end market. We also reduced sales of bulk olefins products sequentially, as we leveraged our refinery-grade propylene investment to shift our feedstock slate to maximize value by increasing propylene production. EBIT decreased due to lower sales volume and lower spreads, partially offset by lower planned manufacturing maintenance costs.

In the fourth quarter, we expect raw material and energy prices to rise to higher levels than normal winter seasonality. While higher-value derivative markets are expected to remain strong, some excess spot sales of certain commodities are expected to moderate in the fourth

quarter as competitive capacity comes back online from hurricane-related shutdowns in the third quarter. Taken together, we expect a meaningful sequential decline in adjusted EBIT.

Slide 9 – 2021 cash flow and balance sheet highlights

Free cash flow through nine months was strong at $874 million. Typically, our normal seasonal pattern for free cash flow includes a large amount of cash generated in the fourth quarter. This year, our fourth-quarter free cash flow will not follow the usual pattern for a number of reasons. First, rising costs of raw materials and strong demand have impacted inventory and accounts receivable balances. Our teams with responsibility for working capital have plans in place to offset some of these headwinds. Second, capital expenditures in the fourth quarter are expected to be about $235 million due to the timing of certain growth projects, including the methanolysis facility. We expect full-year capital expenditures to be about $550 million. Due to these factors, we now expect full-year 2021 free cash flow to approach $1.1 billion. Disciplined capital allocation remains a priority for Eastman. We are on track to repurchase approximately $400 million of shares in 2021 from free cash flow, and we expect to repurchase additional shares with proceeds from the tire additives divestiture during the fourth quarter. Our net debt to adjusted EBITDA ratio is approximately 2.2X. Our full-year forecasted adjusted effective tax rate now stands at 15 percent. And lastly, we are on track for our 2021 return on invested capital to be approximately 12 percent, which is above 2018, and we expect our ROIC will continue to increase.

Slide 10 – 2021 outlook

As we close out 2021, there are several reasons why we expect to finish strong. First, our end-market demand remains robust. And we are confident that our innovation and market development initiatives will drive our volume above underlying end market growth rates. For full-year 2021, our innovation and market development are driving revenue growth significantly above underlying end markets in transportation, consumables, consumer durables, personal care & wellness, and many other end markets. Our new business revenue from innovation is on track to be greater than $600 million this year, and through the first nine months of 2021, sales

volume/mix is up 10 percent, which is ahead of underlying end-market demand. In transportation, we expect automotive volume to remain at levels similar to the third quarter as the auto OEM component shortage continues to impact demand. In addition, we expect the combination of low inventories and strong demand to limit the overall seasonal decline in volume. Within this strong performance, we note that demand levels are well above what the currently constrained logistics system can support, putting us in a strong position for growth when this improves in 2022.

We also continue to implement selling price increases to catch up with our higher raw material, energy, and distribution costs, particularly across our specialty businesses. When taking these factors together, we project full-year adjusted EPS to be between $8.80 to $9.00, within the lower half of our range from July, reflecting slowing automotive demand and higher variable costs. This full-year forecast translates to adjusted EPS in the fourth quarter between $1.75 and $1.95, up 9 percent at the mid-point compared to fourth quarter 2020, which is our record for fourth quarter adjusted EPS. This would be a strong result given current inflation and supply chain constraints.

Slide 11 – Well-positioned for strong EPS growth in 2022 vs 2021

Back in our second-quarter prepared comments, we provided an early look at our expectations for strong adjusted EPS growth in 2022. Today, we are providing additional details about the many factors that give us confidence in our ability to significantly grow in 2022.

Before we get to growth, we start with the announced divestitures of our tire additives and adhesives resins product lines. Annual sales revenue from the combination of these product lines is approximately $1.1 billion with EBITDA of approximately $175 million. Total proceeds for the two transactions will total approximately $1.8 billion and, as we've indicated previously, we plan to repurchase shares to offset dilution from the proceeds of the divestitures. After the completion of these transactions, the resiliency and attractive margins of the remaining 2/3rds of Additives & Functional Products will be evident and the segment will be well positioned for growth going forward.

Next, we are expecting spreads in Chemical Intermediates to normalize over the course of 2022, with likely more of the impact in the second half of the year. While underlying demand remains robust, capacity that was offline due to winter storm Uri, hurricanes, and unplanned outages has come back online. As spreads normalize, we will benefit from the many actions we have taken over the last 3 years to reduce volatility and improve the structural earnings quality of this segment. We will share more about these actions during our Innovation Day in December.

On costs, our transformation program will substantially improve our costs to offset the headwind from spread normalization in Chemical Intermediates. We've made investments across several areas, including operations transformation, digitization, and site optimization, and the savings from these investments, alongside a tailwind from lower variable compensation costs next year, is expected to more than offset our normal cost inflation.

We are also expecting to invest these savings in growth, which remains a high priority for us. As demand has strengthened, we've benefitted from growing our capabilities in areas including application development, sales, and marketing. These investments are contributing to increasing new business revenue across the portfolio and will be important for growth in areas such as circularity. We will also have higher pre-production costs with the startup of our methanolysis facility and other specialty growth projects.

By far the largest contributor to strong EPS growth in 2022 is expected to be variable margin growth in our specialty businesses due to the following factors:

- Growth in our end markets, including transportation, durables, electronics, and building & construction.
- Ability to serve pent-up demand at both the consumer level and inventory rebuilding through our customers, as supply chain and logistical constraints moderate through the year.
- Our continued success with innovation and market development, which is expected to deliver approximately $600 million of new business revenue in 2021 and which has delivered above end-market growth in Advanced Materials consistently over the last decade.

- Circular economy initiatives are accelerating growth as customers adopt our products with recycled content and bio content.
- Significant product mix upgrade as growth next year will come from our high-value specialty products.
- Recovery of spreads, as we raise prices to reflect higher raw material, energy, and distribution costs from the second half of 2021.

We expect that Advanced Materials will contribute approximately 70 percent of this growth and Additives & Functional Products will contribute the other 30 percent.

One factor that is not included in this forecast is the upside from the use of free cash flow after the dividend next year. We expect to enter 2022 with significant strategic flexibility to fund organic growth, lead in the circular economy, pursue bolt-on M&A, and repurchase shares.

We know that the current environment is dynamic, and we expect at least some of the uncertainty that we've confronted here in 2021 will continue next year. Because of that, we felt it was important to provide you with our underlying macro assumptions. We know these won't be exactly correct but felt they would be helpful for you to understand our overall expectations for next year.

All in, we remain confident in our ability to drive significant EPS growth in 2022 despite the headwind of normalizing spreads in Chemical Intermediates. Our innovation-driven growth model has us positioned for consistent, resilient performance in 2022 and in the years ahead. We will build on our strong recovery in 2021 and get back to our 8 -12 percent long-term adjusted EPS growth target range from this higher base of earnings.

Slide 13 – Eastman Innovation Day 2021

Today we are announcing that we will hold an Innovation Day on December 7, 2021, starting at 8:30am ET. This event will be held in New York City both in-person and virtually. Please join Eastman executives for a detailed discussion of Eastman's innovation-driven growth model, circular economy initiatives, and how we leverage sustainability as a macrotrend to

drive strong financial returns. More details can soon be found in the investor section of our website, investors.eastman.com.