Fourth-Quarter & Full-Year 2020 Financial Results

Mark Costa, Board Chair & CEO
Willie McLain, SVP & CFO
January 28th, 2021
Prepared Remarks
These slides should be reviewed with the accompanying prepared remarks posted on our website.

Forward-looking statements
During this presentation, we make certain forward-looking statements concerning plans and expectations for Eastman Chemical Company. We caution you that actual events or results may differ materially from our plans and expectations. See these slides, the accompanying prepared remarks posted on our website, the remarks during the conference call and webcast, the fourth quarter and full-year 2020 financial results 8-K and news release, and our Form 10-Q filed for third quarter 2020 and Form 10-K to be filed for full-year 2020 for risks and uncertainties which could cause actual results to differ materially from current expectations.

GAAP and Non-GAAP financial measures
Earnings referenced in this presentation and the accompanying prepared remarks exclude certain non-core and unusual items. “Free Cash Flow” is cash provided by operating activities minus net capital expenditures (typically cash used for additions to properties and equipment). “EBIT Margin” is Earnings Before Interest and Taxes (“EBIT”) adjusted for non-core and unusual items divided by GAAP sales revenue. “EBITDA” is Earnings Before Interest, Taxes, Depreciation, and Amortization adjusted for non-core and unusual items. “Net Debt” is total borrowings less cash and cash equivalents. “Net Debt to EBITDA” is Net Debt divided by EBITDA adjusted for non-core and usual 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 our fourth-quarter and full-year 2020 financial results news release which is posted in the “Investors” section of our website, at the end of this presentation, and in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of the Forms 10-K and 10-Q filed with the SEC for the periods for which non-GAAP financial measures are presented.
2020 highlights

- Took decisive action to protect employees and preserve operational integrity
- Fourth consecutive year of free cash flow greater than $1 billion
- Resilient performance driven by innovation portfolio, diverse end-markets, and decisive cost actions
- Accelerated progress on our circular economy platform
- Launched bold new commitments in our 2020 sustainability report
- Recognized by several institutions as a leader in sustainability, diversity, and ethics
- Tritan™ Renew named one of Popular Science’s Greatest Innovations of 2020
4Q and FY 2020 financial results – Corporate

### 4Q20 vs 4Q19
- Record 4Q adjusted EPS
- Strong recovery led by Advanced Materials
- Continued progress on cost reduction actions

### FY20 vs FY19
- Portfolio proved resilient during global pandemic
- Quick action taken to protect employees and ensure operational integrity
- Earnings impact of aggressive inventory management partially offset by cost reduction actions

<table>
<thead>
<tr>
<th></th>
<th>4Q20</th>
<th>4Q19</th>
<th>1% change</th>
<th>1% volume/mix</th>
<th>(3)% price</th>
<th>1% currency</th>
<th>(9)% change</th>
<th>(5)% volume/mix</th>
<th>(4)% price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>$2,186</td>
<td>$2,205</td>
<td>(1)%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>$329</td>
<td>$279</td>
<td></td>
<td>1% volume/mix</td>
<td></td>
<td>(3)% price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted EPS</td>
<td>$1.69</td>
<td>$1.42</td>
<td></td>
<td>(3)% price</td>
<td>(1)%</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY20</th>
<th>FY19</th>
<th>(9)% change</th>
<th>(5)% volume/mix</th>
<th>(4)% price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>$8,473</td>
<td>$9,273</td>
<td>(9)%</td>
<td>(5)% volume/mix</td>
<td>(4)% price</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>$1,216</td>
<td>$1,389</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Adjusted EPS</td>
<td>$6.15</td>
<td>$7.13</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

($ in millions, except EPS)
4Q and FY 2020 financial results – Advanced Materials

4Q20 vs 4Q19
❖ Strong rebound in automotive end market
❖ Continued strength in specialty plastics
❖ Performance films mid-teens topline growth

FY20 vs FY19
❖ Demand negatively impacted by COVID-19
❖ Specialty plastics record EBIT
❖ Strong recovery in 2H20

Sales revenue

<table>
<thead>
<tr>
<th></th>
<th>4Q20</th>
<th>4Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY20</td>
<td>$2,688</td>
<td>$2,524</td>
</tr>
<tr>
<td>FY19</td>
<td>$518</td>
<td>$448</td>
</tr>
</tbody>
</table>

(6)% change
(2)% price
(4)% volume/mix

Adjusted EBIT

<table>
<thead>
<tr>
<th></th>
<th>4Q20</th>
<th>4Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q20</td>
<td>$138</td>
<td>$112</td>
</tr>
<tr>
<td>4Q19</td>
<td>$112</td>
<td>$112</td>
</tr>
</tbody>
</table>

6% change
6% volume/mix
(2)% price
2% currency

Sales revenue

<table>
<thead>
<tr>
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</tbody>
</table>

(6)% change
(2)% price

Adjusted EBIT

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<tr>
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<td>$112</td>
</tr>
<tr>
<td>FY19</td>
<td>$112</td>
<td>$112</td>
</tr>
</tbody>
</table>

6% change
6% volume/mix
(2)% price
2% currency
4Q and FY 2020 financial results – Additives & Functional Products

Sales revenue and Adjusted EBIT for 4Q and FY 2020 and 2019:

- **4Q20 vs 4Q19**
  - Recovery in transportation, excluding aviation fluids
  - Continued solid demand in building and construction
  - Care Chemicals double digit topline growth

- **FY20 vs FY19**
  - Care Chemicals 5 percent volume/mix growth
  - Transportation end market, including aviation fluids, impacted by COVID-19
  - EBIT declined due to lower volume/mix and lower capacity utilization

($ in millions)
### 4Q and FY 2020 Financial Results – Chemical Intermediates

<table>
<thead>
<tr>
<th></th>
<th>4Q20 ($ in millions)</th>
<th>4Q19 ($ in millions)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Revenue</td>
<td>$531</td>
<td>$578</td>
<td>-8%</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>$36</td>
<td>$22</td>
<td>-40%</td>
</tr>
</tbody>
</table>

#### 4Q20 vs 4Q19
- Lower volume driven mostly by site maintenance shutdowns and the discontinuation of certain product lines at our Singapore facility.
- Demand strengthened during the fourth quarter.
- Lower pricing due to lower raw material and energy prices.

<table>
<thead>
<tr>
<th></th>
<th>FY20 ($ in millions)</th>
<th>FY19 ($ in millions)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Revenue</td>
<td>$2,090</td>
<td>$2,443</td>
<td>-14%</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>$171</td>
<td>$192</td>
<td>-10%</td>
</tr>
</tbody>
</table>

#### FY20 vs FY19
- Strong performance in functional amines.
- Reduced demand due to COVID-19 for olefins, acetylts, and plasticizers.
- Substantially lower operating costs.
4Q and FY 2020 financial results – Fibers

<table>
<thead>
<tr>
<th></th>
<th>4Q20</th>
<th>4Q19</th>
<th>4Q% change</th>
<th>4Q% volume/mix</th>
<th>4Q% price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>$208</td>
<td>$226</td>
<td>(8)%</td>
<td>(6)%</td>
<td>(2)%</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>$40</td>
<td>$50</td>
<td>(2)%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4Q20 vs 4Q19
❖ Acetate tow volume stable
❖ Price decline due to previously negotiated multi-year contracts
❖ Volume/mix lower due to the discontinuation of a tobacco specialty product and weakness in textiles due to COVID-19

<table>
<thead>
<tr>
<th></th>
<th>FY20</th>
<th>FY19</th>
<th>FY% change</th>
<th>FY% volume/mix</th>
<th>FY% price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>$837</td>
<td>$869</td>
<td>(4)%</td>
<td>(2)%</td>
<td>(2)%</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>$180</td>
<td>$194</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FY20 vs FY19
❖ COVID-19 negatively impacted the textile end market
❖ Price declined due to previously negotiated multi-year contracts
❖ Capacity utilization headwinds

($ in millions)
Full-year 2020 cash flow and other financial highlights

- **$1.5 billion** cash from operations
- Returned **$418 million** to stockholders by dividends and share repurchases
- Increased dividend for **11th consecutive year**
- Net debt reduced by greater than **$600 million** excluding the impact of FX
- Net debt to adjusted EBITDA **~2.8x**
- 2020 adjusted effective tax rate **~15.5%**
## 2021 outlook

### Growth drivers

- Significant asset utilization tailwind of ~$100M
- Cost structure ~flat vs. 2020
- Sales volume growth driven by:
  - Benefit of innovation-driven growth model
  - Continued recovery in key end markets, including auto, building & construction, and durables
  - Product mix improvement
- Lower pension costs
- Disciplined capital allocation

### Near-term uncertainties / headwinds

- Visibility limited due to continued impact of COVID-19 and other macroeconomic uncertainties
- Rising raw material, energy, and logistics costs

**Full-year 2021 adjusted EPS projected to be 20-30% higher than 2020 adjusted EPS**

**Projected 2021 free cash flow > $1.0 billion for 5th consecutive year**
A BETTER CIRCLE
Three simultaneous global crises need solutions
Macro trends have been central to our strategy for over a decade

- **CARING FOR SOCIETY**
  - Replacing antibiotics in feed additives
  - VOC/odor-free hygiene
  - BPA-free in medical
  - BPA-free in food and beverage packaging coatings
- **CLIMATE**
  - Light-weighting electric vehicles
  - Improving energy efficiency in housing
  - Improving energy efficiency in auto
- **CIRCULARITY**
  - Carbon Renewal Technology
  - Naia™ Renew in textiles
  - Treva™ in ophthalmics
  - Polyester Renewal Technology
  - Tritan™ Renew in durables, electronics, hydration, etc.
  - Cristal™ Renew in cosmetics

Together, we will build a better circle.
Plastics are essential to the quality of life

**HYDRATE**

Plastics help to deliver hydration to those who need it

**FEED**

Advanced packaging technologies preserve fruits, vegetables, & meats

**CARE**

Plastics improve sterility, patient safety, and comfort in therapies
Global brands making significant commitments to reduce plastic waste

- **P&G**: 50% reduction in virgin plastic by 2030
- **Tupperware**: 40% recycled content by 2025
- **patagonia**: Use only renewable or recycled materials in all products by 2025
- **ESTÉE LAUDER**: 50% recycled content by 2025
- **hp**: 30% recycled content by 2025
- **Coca-Cola**: 50% recycled content by 2025
- **Apple**: To source 100% recycled or renewable materials
- **L’ORÉAL**: 30% recycled content for all plastic packaging by 2025
- **Nike**: By 2030, MOVE TO ZERO is Nike’s journey towards zero carbon and zero waste
- **IKEA**: 100% circular products by 2030
- **Ford**: 20% renewable and recycled plastics by 2025
- **Unilever**: 35% recycled content for all plastic packaging by 2025
- **pepsi**: 25% recycled content by 2025
- **Henkel**: 30% recycled content by 2025
- **LEGO**: Iconic bricks 100% sustainable by 2030

Source: Ellen McArthur Foundation website for signatories to New Global Plastics Economy Commitment and company public information
Both mechanical and molecular recycling are required to eliminate waste and create a truly circular economy.

<table>
<thead>
<tr>
<th>MECHANICAL RECYCLING</th>
<th>MOLECULAR RECYCLING TECHNOLOGY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Most carbon efficient when possible</strong></td>
<td><strong>Necessary to renew material and avoid end of life</strong></td>
</tr>
<tr>
<td>Optimal GHG footprint, existing infrastructure</td>
<td>Eastman technologies deliver an improved GHG footprint when compared to processes using fossil feedstocks</td>
</tr>
<tr>
<td>Limited to clean sources; majority must be downcycled or not recycled at all</td>
<td>Can recycle materials that have little value or can not be mechanically recycled</td>
</tr>
<tr>
<td>Performance and quality limitations</td>
<td>No performance tradeoffs…upcycles the material back to premium quality / performance</td>
</tr>
<tr>
<td>Quality degrades with each cycle…eventually, everything becomes waste</td>
<td>Enables infinite ability to recycle polymer for a truly circular economy</td>
</tr>
</tbody>
</table>
Consumers are paying premiums for sustainable products to solve these challenges

Average Western European recycled food grade PET pricing (% over virgin PET)

- 2018: Historically rPET was at a discount (-5%)
- 2019: ~40%
- 2020: ~75%

- Nalgene Sustain: Made with Eastman Tritan™ Copolyester ($11.99), +25%
- Philips Senseo: Viva Café €66, Viva Café Eco (50% PCR) €79, +20%
- Sustainable Nike Pro: 93% polyester, 7% spandex, 100% vPET $28, 50% rPET $35, +25%
Polyester renewal technology creates value from waste

*Eastman is providing technology solutions for the circular economy*

**Feedstocks**

PET-only waste such as colored PET, films, and fibers from textiles and carpets

**End products**

Our polyester renewal technology reduces greenhouse gas emissions by 20-30% when compared to processes using fossil feedstocks
Eastman to build one of the world’s largest plastic to plastic molecular recycling facilities

Taking the next step on our circular economy journey

2021-2022: ~$250M capital investment

- Polymer intermediate capacity to make 150 – 200 kmt of polymer
- Unique ability to use low-quality / low-cost feedstocks

Begin construction mid-year 2021
- Mechanical completion expected by year-end 2022

ROIC >15%

- Advantaged scale and integration, including carbon renewal technology
- Product mix upgrade over time
- Option to add capacity as adoption gains momentum

Expect molecular recycling initiatives to contribute to >$600M of new business revenue in the coming years
Methanolysis facility to have a positive impact on the planet

PLASTIC CONSUMED AS RAW MATERIAL

~110,000 MT\(^1\) per year

or the equivalent of

~11 BILLION water bottles

~790 MILLION polyester t-shirts

~2.7 BILLION shampoo bottles

REDUCTION IN GREENHOUSE GAS EMISSIONS

>45,000 MT\(^2\)

or the equivalent of

115,000,000 miles driven\(^3\)

Pursuing partnerships to scale up our innovative solutions across the globe

1 – Projected Eastman annual capacity for methanolysis facility  
2 – Projected greenhouse gas improvement over conventionally produced intermediates  
3 – Calculated using the EPA Greenhouse Gas Equivalency Calculator
Enhancing the quality of life in a material way

▪ We are proving what can be done today.

▪ We expect to use ~250 million pounds of plastic waste annually by 2025 and ~500 million by 2030.

▪ 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.

▪ We will not move forward with a technology that does not have a better carbon footprint.

▪ Eastman can help enable a circular economy while making **an attractive return on our investment.**
Appendix
Key underlying assumptions and guidance for FY2021

Modeling items:

- Interest expense of ~$200 million
- Income tax rate, as adjusted, of 15 - 16%
- Depreciation and amortization of ~$570 million
- Capital expenditures between $500 and $525 million
- Net debt to be reduced by ~$300 million
- Available strategic cash $350 to $400 million
  - Bolt-on M&A / share repurchases
  - Pension tailwind of ~$25 million recorded in Corporate Other

Key assumptions:

- Economic activity recovering from the impact of COVID-19 but pace of recovery is uncertain
- Brent crude oil prices ~$60
- Euro to USD ~$1.20
### 2021 quarterly forecasted change in manufacturing maintenance shutdown cost by segment – year-over-year & sequential

<table>
<thead>
<tr>
<th>Segment</th>
<th>Q121 y/y</th>
<th>Q221 y/y</th>
<th>Q321 y/y</th>
<th>Q421 y/y</th>
<th>FY21 vs FY20</th>
<th>Q121 vs Q420</th>
<th>Q221 vs Q121</th>
<th>Q321 vs Q221</th>
<th>Q421 vs Q321</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Materials</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>(5)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additives &amp; Functional Products</td>
<td>-</td>
<td>(15)</td>
<td>5</td>
<td>5</td>
<td>(5)</td>
<td>5</td>
<td>(20)</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>Chemical Intermediates</td>
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<td>(15)</td>
<td>5</td>
<td>5</td>
<td>(5)</td>
<td>5</td>
<td>(15)</td>
<td>15</td>
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</tr>
<tr>
<td>Fibers</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5)</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>(30)</td>
<td>10</td>
<td>10</td>
<td>(10)</td>
<td>20</td>
<td>(45)</td>
<td>35</td>
<td>-</td>
</tr>
</tbody>
</table>

Favorable/(unfavorable) approximate change in manufacturing maintenance shutdown period costs, in millions ($)

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EASTMAN

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## Net Earnings to Adjusted EBITDA Reconciliation

### Adjusted EBITDA to Net Earnings reconciliation

(Dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net earnings</strong></td>
<td>$762</td>
<td>$489</td>
</tr>
<tr>
<td><strong>Plus:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>450</td>
<td>445</td>
</tr>
<tr>
<td>Amortization</td>
<td>161</td>
<td>129</td>
</tr>
<tr>
<td>Net interest expense</td>
<td>218</td>
<td>210</td>
</tr>
<tr>
<td>Provision (benefit) for income taxes</td>
<td>140</td>
<td>41</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>$1,731</td>
<td>$1,314</td>
</tr>
<tr>
<td><strong>Add back:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mark-to-market pension and other postretirement benefits (gains) losses</td>
<td>143</td>
<td>240</td>
</tr>
<tr>
<td>Asset impairments and restructuring charges (gains), net</td>
<td>126</td>
<td>227</td>
</tr>
<tr>
<td>Early debt extinguishment and other related costs</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>2,000</td>
<td>1,782</td>
</tr>
</tbody>
</table>