Eastman Q1 2022 Financial Results Prepared Remarks

April 28, 2022

Slides 1 and 2:

This document is the CEO's and CFO's prepared remarks for Eastman Chemical Company's first-quarter 2022 financial results. This is to be read with the first-quarter 2022 financial results news release and the slides detailing our first-quarter 2022 financial results, both of which were publicly issued and posted on our website (investors.eastman.com) after the close of NYSE trading on April 28, 2022. On April 29, 2022, 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 is accessible 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 2022 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 full-year 2021 and the Form 10-Q to be filed for first-quarter 2022. 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 first-quarter 2022 financial results news release.

Slide 3 – 1Q22 highlights

2022 is off to a solid start, and the Eastman team has been hard at work building on our momentum from 2021 with strong underlying demand across our end markets. Across the company, our business teams demonstrated strong commercial execution in raising prices in the face of unprecedented levels of inflation. On a combined basis, Additives & Functional Products ("AFP") and Advanced Materials ("AM") together raised prices by 17 percent to offset inflation. This strong pricing, some of which was executed in response to an escalation of costs that occurred throughout the first quarter, is a testament to the attractive portfolio of specialty products and the commercial execution capabilities at Eastman.

Beyond our strong effort to navigate a challenging operating environment, I'd like to pause for a moment to recognize the tireless and successful efforts of our operators, engineers, business and salespeople, and functional team members who pitched in to safely return to normal operations after the Kingsport steam line incident that occurred on January 31st. I can't say enough about the incredible can-do spirit and dedication of the Eastman team who went above and beyond to safely clean, inspect, repair, and ultimately restart all operations at our Kingsport site. I'd like to thank our operations and commercial teams who were involved in restoring the site and for keeping an unwavering focus on safety. I'd also like to recognize our customers and our Kingsport community for the understanding and support they have shown through this event.

Moving on to additional highlights, our innovation-driven growth model continues to deliver wins in the marketplace, including more brands adopting Eastman Renew products with recycled content. Our world-class technology platforms, combined with our deep customer intimacy, have led to partnerships with leading brands like Warby Parker. This leading eyewear brand is leveraging Eastman to recycle its demo lenses and is using our Acetate Renew products for new eyewear. Eastman is proud to help Warby Parker make progress toward a circular solution and lower the environmental impact of producing its frames.

We have also announced an exciting milestone as we advance our leadership position in the circular economy. We are one step closer to construction of our molecular recycling facility in France, where we have entered exclusive negotiations with Port-Jérôme-sur-Seine as our preferred

location. Port-Jérôme-sur-Seine was chosen because of excellent access to reliable feedstock, green energy, and a highly skilled workforce.

We are also proud to have received a score of 100 on the Human Rights Campaign Foundation's 2022 Corporate Equality Index. As Eastman develops new products to meet the world's most pressing needs, we must inspire innovative ideas by making every team member feel valued and empowered to do their best work. Inclusion & diversity is a critical business imperative for us and essential to our long-term success. Earning this recognition reflects our progress and commitment, especially in supporting our LGBTQ+ team members.

Finally, we successfully completed the divestiture of the non-strategic adhesives resins product lines and received $1 billion of cash proceeds. AFP's portfolio of specialty businesses is now more focused, higher margin, and poised to deliver sustainable, attractive growth.

Slide 4 – Corporate

First-quarter results were bolstered by strong underlying demand across key end markets, including durables, building and construction, medical, and animal nutrition. Sales revenue increased 13 percent on an as-reported basis and 19 percent excluding tire additives and adhesives resins product lines. Our specialties, AM and AFP, raised prices by 17 percent to recover spread compression from significant and sustained increases of raw material, energy, and distribution prices that occurred in the back of last year. We have also taken aggressive pricing actions into the second quarter to recover the increased inflation we have experienced year-to-date. With these pricing actions, we continue to expect spreads to improve compared to 2021, consistent with our outlook back in January of 2022. Lower volume/mix was driven by divested product lines and the Kingsport steam line incident.

Adjusted EBIT of $366 million decreased compared to first quarter last year. Despite a large impact from the steam line incident, adjusted EBIT margins increased sequentially as the business teams delivered higher prices to recover higher variable costs, which were compressed in the second half of 2021. All in, we estimate the steam line incident reduced adjusted EBIT by approximately $125 million, comprised of $50 million of costs that were accelerated into the first quarter resulting from extended asset downtime and an estimated $75 million of gross profit

impact from lower sales revenue. About $100 million of the total impact is included in Advanced Materials, with an additional impact in Fibers. On an underlying basis, before the impact of the Kingsport steam line incident, we believe first-quarter adjusted EPS would have been approximately $2.85. Adjusted EBIT margin for the quarter was up 100 basis points sequentially, and down 310 basis points year over year. For the year-over-year comparison, the mathematical impact of raising prices to offset higher variable costs was a 210-basis points headwind to the overall margin. If you normalize for inflation and the impact of the steam line incident, the adjusted EBIT margin would have been above the year-ago margin. This strong underlying performance was fueled by solid demand, excellent spread management, particularly in the specialty businesses, and innovation and market development driving growth above our end markets.

As we reflect on what played out differently than our expectations back in January, there are a few takeaways: first, spreads were better than expected, demonstrating strong pricing actions to keep pace with inflation in real time and Chemical Intermediates benefiting from continued tight market conditions; second, volumes were lower than expected due to the Kingsport steam line incident; and third, the auto OEM market was modestly softer than forecasted. Overall, a very strong result outside of the steam line incident.

Slide 5 – Advanced Materials

AM sales revenue increased 3 percent due to 10 percent higher selling prices, partially offset by a 6 percent decrease in sales volume/mix. The double-digit price increases in AM are a testament to the strong pricing actions that the business teams executed in the second half of last year. Sales volume decreased due to the Kingsport steam line incident, partially offset by improved product mix. End-market demand in durables and medical continues to remain strong, partially offset by weakness in the auto OEM market related to component shortages and supply chain challenges. Our innovation-driven growth model continues to drive volume and mix growth in our premium products that is above our underlying end markets. In auto, our head-up display interlayers are driving increased penetration, leveraging key macrotrends like auto electrification and increased content per vehicle. In the circular economy, our unique product offerings are driving growth in new markets, including helping to create sustainable offerings in the electronics

market. In the first quarter, ZAGG, a global leader and innovator in mobile device protection, announced a new materials partnership with Eastman to incorporate Tritan™ Renew copolyester into ZAGG's Gear4 protective smartphone cases. These are just two examples of the many ways we are driving growth into new markets and new applications.

Turning to earnings, adjusted EBIT decreased due to higher operational costs and lower sales volume resulting from the steam line incident. Approximately $100 million of the steam line incident's financial impact is in Advanced Materials results. Despite the lower adjusted EBIT, the Advanced Materials business team did a great job in the first quarter, delivering substantially improved spreads compared to the fourth quarter.

Looking at the second quarter, we have several tailwinds at our back.

- End-market demand remains strong across our key markets except auto, and our innovation-driven growth model continues to drive growth above those underlying markets.
- We expect to drive improved product mix as a result of this strong innovation-driven growth.
- We will continue to recover the spread compression from last year with aggressive pricing actions.
- We expect to begin recovering sales volume from the steam line incident, though the pace at which we can catch up and recover lost sales is limited by continued challenges with logistics.

Uncertainties include the impact of COVID-19 lockdowns in China and the impact of the Russia/Ukraine conflict on Europe. Putting these factors together, we expect AM second-quarter adjusted EBIT to be between $170 and $190 million.

For the full year, we expect AM adjusted EBIT to be between $650 and $700 million. With the steam line incident impacting results in the first quarter and the guidance for second quarter, the full-year adjusted EBIT range implies a strong second half of 2022. We are confident in this expectation for several reasons. First, we continue to expect more than $100 million of spread recovery in this business, which will mostly be achieved in the second half of the year when the spread compression occurred last year. In addition, we will continue to drive volume growth above

our underlying markets and product mix improvement, including recovering about half of the lost product resulting from the steam line incident. We also expect that investment in growth will increase this year for innovation across the segment. We look forward to delivering these strong results, which would be up over 25 percent compared to 2021.

Slide 6 – Recent progress validates Eastman's strategy for building a Circular Solutions Platform

Back at our Innovation Day in December of last year, we described the circular economy as a new vector of growth. This includes our leadership in molecular recycling, which is addressing the plastic waste and climate crises. We also described three separate molecular recycling projects that were in various stages of development. We are making significant progress on each of these three projects, which continues to validate our strategy for building a circular solutions platform.

First is our project in Kingsport, Tennessee, which will be the world's largest polyester material recycling facility. We are currently constructing a methanolysis facility that will use approximately 110 KMT of hard-to-recycle PET, carpet, and textiles that cannot be mechanically recycled as feedstock. We are then using our very innovative and proven technology to unzip that waste into polymer intermediates. Our polymer facilities will then be used to rebuild those intermediates into between 150 and 200 KMT of specialty polymers for food-grade, personal care, medical-grade and other applications. And we do this with a much better carbon footprint than fossil-based feedstocks. We have made progress since Innovation Day and now have over 75 percent of the feedstock we will need for this facility either already being procured, under contract, or in active negotiations. Also, with our pilot plant, we're making great progress in validating a variety of hard-to-recycle feedstocks. Lastly, supply chain challenges are impacting the timing of mechanical completion of the methanolysis facility, just as they are many other projects around the world. The team is doing a great job of mitigating the impact of these challenges; however, we now expect the facility to be mechanically complete by the end of the first-quarter 2023.

Next is an update on our France project. You will recall that in January we announced our plan to invest in a material-to-material molecular recycling facility in France. The facility would recycle up to 160 KMT of hard-to-recycle plastic waste that is currently being downcycled or incinerated, and as with the Kingsport facility, it would do this with a better much carbon footprint

than fossil-based feedstocks. A number of global brands support this project, with letters of intent for multiyear supply agreements from this facility. Since January, we have announced that we have entered into exclusive negotiations with Port-Jérôme-sur-Seine as the preferred location for the molecular recycling facility. This important milestone was reached after conducting a very thorough assessment of three excellent candidate sites. Port-Jérôme-sur-Seine was selected because it offers excellent access to reliable feedstocks, green energy, and a highly skilled workforce. We are continuing to work towards securing feedstocks, additional off-take agreements, and incentives for the project, and look forward to providing updates on our progress.

Lastly, we are continuing to make great progress on a second U.S. project as we are in discussions with several interested global brands.

Slide 7 – Additives & Functional Products

AFP sales revenue increased 32 percent, driven by strong and proactive price increases of 25 percent. Approximately 40 percent of the increase in selling prices is due to cost pass-through contracts. Strong demand in key end markets, including building and construction, personal care, and animal nutrition, supported compelling volume/mix growth of 10 percent. One example of how our innovation portfolio is driving above-market growth is in the coatings business where we are delivering strong growth in semiconductor market with our high-value EastaPure™ ultra-high purity additives. As semiconductor fabs work toward smaller node sizes, customer requirements for ultra-pure additives continue to increase. Our value proposition is growing with customers, and we expect to make good progress this year. We also expect strong growth this year in Animal Nutrition. This growth is being driven by strong underlying demand, the key macrotrend of replacing antibiotic usage in animal feed, and leveraging the capabilities from our attractive bolt-on of 3F Feed and Food. Through regulation and social change, consumer preferences are moving away from antibiotic usage in their food sources. Eastman's broad portfolio of organic acids and our deep formulation expertise are driving attractive penetration into rapidly growing markets.

Turning to earnings, adjusted EBIT increased due to increased spreads and higher sales volume. As raw materials moved up quickly during the first quarter, AFP teams moved in real time to increase prices to preserve spreads and offset this new level of inflation. Adjusted EBIT margin in

AFP was approximately flat compared to last year, and this included a 320-basis points headwind from the mathematical impact of raising prices to offset higher variable costs. Overall, AFP is demonstrating outstanding commercial excellence in managing in this inflationary environment.

Looking ahead into the second quarter, we expect strong demand to continue. We are raising prices to keep pace with inflation, but we have a one-quarter lag in the increase of prices in some cost pass-through contracts. We also continue to invest in growth to drive innovation across this segment. All together, we expect AFP adjusted EBIT to be modestly higher compared with second-quarter 2021 adjusted EBIT – a strong expected result given the significant inflation this business is facing.

For the full year, while demand conditions for the second half of the year are uncertain, we continue to expect adjusted EBIT to be greater than $500 million in 2022, which is compelling growth relative to last year's proforma earnings.

Slide 8 – Fibers

Sales revenue decreased 2 percent due to a 9 percent decrease in sales volume/mix. Limited capacity as a result of the Kingsport steam line incident impacted acetate tow volumes. Acetate tow sales volume was also modestly impacted by the ongoing conflict between Russia and Ukraine, but we expect to mitigate the volume headwind resulting from the conflict in the coming quarters. Selling prices increased 7 percent due to higher raw material, energy, and distribution prices. Adjusted EBIT decreased due to lower sales volume and higher operational costs resulting from the Kingsport steam line incident. We estimate that the incident, together with modest volume headwinds from the Russia/Ukraine conflict, impacted first-quarter adjusted EBIT by approximately $15 million. Sequentially, spreads were modestly up as the business teams in Fibers demonstrated commercial excellent in increasing selling prices at the end of 2021 to start to recover spreads that were reduced in the second half of 2021.

Moving into the second quarter, we expect to continue to increase selling prices where contracts allow to keep pace with ongoing inflation. We also expect to recover some of the volume lost from the steam line incident, but the pace at which we recover that volume is constrained by

logistics challenges. Putting it all together, we project Fibers adjusted EBIT to be similar to second quarter 2021.

For the full year, we expect to be up modestly compared to 2021 as our pricing actions recover reduced spreads from last year and keep pace with increased levels of inflation this year. This recovery of spreads in 2022 will be partially offset by modestly lower sales volume due to lost volume from the steam line incident being only partially recovered in 2022.

Slide 9 – Chemical Intermediates

Sales revenue increased 32 percent due to 33 percent higher selling prices. Higher selling prices across the segment were due to higher raw material, energy, and distribution prices as well as continued tight market conditions. Sales volume/mix was approximately flat as strong demand growth in the agriculture market for functional amines was offset by acetyl products impacted by the Kingsport steam line incident. Adjusted EBIT increased due to improved spreads across the segment.

In the second quarter, we expect tight market conditions for most commodity product lines to continue to support strong spreads. On volume, some continued logistics constraints will limit sequential improvement. Taking these factors together, we project that adjusted EBIT will be similar to first quarter 2022 levels.

For the full year, we are expecting a normalization of spreads to start in the back half of the year. We also expect a normal seasonal volume decline, and we have a large turnaround scheduled in the fourth quarter. With that said, 2022 is shaping up to be another strong year for Chemical Intermediates in both earnings and cash generation as the segment executes its role of reliably providing high-quality and advantaged raw materials for our specialty businesses and optimizing external sales leveraging a deep understanding of their markets.

Slide 10 – 1Q cash flow and other financial highlights

Strong cash flow continues to be a top priority for Eastman. Cash provided by operating activities was $17 million in first quarter 2022 compared to $216 million in first quarter 2021. The decrease was primarily due to lower net earnings and a high variable compensation payout related

to 2021 results. Significant inflation in raw material and product prices is expected to increase working capital requirements in 2022. That said, our teams have a longstanding track record of taking action to generate strong cash flow across a variety of business environments, and this year is no different. We are implementing plans now to mitigate the expected increase in working capital. Another variable is the pending extension of the immediate deductibility of R&D expenditures in the U.S. (Section 174), which has been important to Eastman because of our significant investment in innovation. If this extension does not occur in 2022, that would have about a $100 million impact on cash flow. Given our strong expected earnings and the actions we are taking to mitigate the impact of elevated working capital, we expect to generate approaching $1.6 billion of operating cash flow. This would be a strong result considering the cash headwinds from approximately $175 million of divested EBITDA from adhesives resins and tire additives product lines, an approximately $100 million headwind related to variable compensation payments, and significant levels of inflation this year. In addition to operating cash flow, we received $1 billion of divestiture proceeds from the sale of our adhesives resins product lines. Our liquidity remains strong thanks to our solid, investment-grade balance sheet. Between the divestiture proceeds and a $500 million delayed draw term loan we executed in April, we strongly believe we are well positioned for upcoming debt maturities while still delivering on our stockholder commitments.

Pivoting to capital allocation, our strong balance sheet allows for an attractive capital allocation strategy even during an uncertain macroeconomic backdrop. We continue to invest in organic growth with our expectations for capital expenditures remaining at approximately $700 million in 2022 with a priority on our circular initiatives. Beyond organic growth investments, we continue to actively look for attractive bolt-on M&A. And finally, we expect to continue to return cash to stockholders with an attractive and growing dividend and with share repurchases to be in excess of $1 billion this year sourced from both operating cash flow and divestiture proceeds.

Our forecasted adjusted effective tax rate for full-year 2022 remains between 15-16 percent. Corporate Other adjusted loss before interest and taxes is expected to be approximately negative ($85) million for the year.

Slide 11 – Full-year 2022 guidance

As we pivot toward a look at the full year, there are several tailwinds that we believe will enable us to deliver strong adjusted EPS growth and resilient operating cash flow in 2022. First, we built strong pricing momentum in the second half of 2021 and are now carrying that momentum in the early part of 2022. We are on track for strong spread recovery in the specialty businesses as we recover spreads from the back half of last year and keep pace with inflation that has occurred in the early part of 2022. We will see most of this benefit of our specialty spread recovery in the second half of the year as most of our spread challenges occurred in the second half of last year. We also expect tight market conditions in Chemical Intermediates to last longer than we projected back in January. Second, we also expect to drive strong demand growth and mix improvement across our specialty businesses as we outperform underlying market growth. We also expect to regain about half of the lost sales volume that occurred in the first quarter caused by the steam line incident, with a portion of that occurring in the second quarter. We will also continue to manage our costs in this inflationary environment, leveraging our operations transformation and our productivity mindset. And finally, we expect to meaningfully reduce our share count through greater than $1 billion of share repurchases.

There are a few headwinds that we are facing. First, we continue to expect spreads in Chemical Intermediates to normalize in the second half of 2022 and revert back to mid-cycle levels. Second, auto OEM production estimates for 2022 have also been reduced as global supply chains remain challenged. And finally, we continue to invest in growth across our specialty businesses to support our innovation initiatives across the company.

There are also macroeconomic uncertainties that could impact our results. These include high levels of global inflation, as well as the degree to which the Russia/Ukraine conflict and the COVID-related lockdowns in China continue to impact global supply chains and economic growth. While we have attempted to estimate the impact of these uncertainties by reducing our expectations for global growth to 3 percent from 4 percent, the uncertainty remains.

When we put these factors together, we continue to expect our adjusted EPS for 2022 will be between $9.50 to $10.00, which would represent over 10 percent growth at the midpoint compared to 2021.

For the second quarter, our segment guidance implies approximately 8-12 percent EPS growth compared to second quarter 2021. This growth stands out as strong performance and positions us to deliver on our full-year commitments as we move into the second half of the year.

And on operating cash flow, as mentioned earlier, we expect to generate approaching $1.6 billion in 2022 with the inflationary pressures in working capital.

Slide 12 – Five key themes underpinning our building momentum

As you think about how we create value going forward, it is worth returning to the five key investment themes we discussed at our Innovation Day in 2021. It all starts with our innovation-driven growth model. This model is the heart of who we are and how we win in the marketplace every day. This model is delivering results and we're demonstrating our portfolio can grow above our underlying markets with products that have higher margins and drive strong mix upgrade. As we look ahead, we are well positioned to leverage our model to drive not only meaningful growth, but also meaningful change. With a focus on providing real product solutions linked to disruptive, sustainability-focused macrotrends, we are confident that as Eastman delivers compelling growth, we are also making a positive impact.

A new vector of growth will be our circular economy platforms, where we have a great opportunity to deliver attractive growth by addressing the plastic waste crisis and reduce our impact on climate at the same time. It starts with the global brands that are making significant commitments to reduce plastic waste and their carbon footprint. And they are working with Eastman as a leader to help them meet their commitments for improving the environment without compromising on the quality of their products. We are well positioned with two molecular recycling technologies for our world-class polyester and our cellulosic biopolymers technology platforms. And we are making great progress in scaling up our innovation with the recent France project announcement. We are showing the world what is possible *today*, and we can do this while delivering an attractive ROIC.

At the same time, we continue to make investments in strengthening our execution capability to drive the top line and translate it to the bottom line. We continue to improve our commercial and product excellence. Our new integrated business planning system will enable us to

support growth better while keeping inventory levels low. And our operational transformation will improve our reliability and cost competitiveness.

ESG is also integrated into how we do business at Eastman. We are committed to reducing our greenhouse gas emissions by 1/3 by 2030, and then to achieving carbon neutrality by 2050. We also remain focused on attracting, developing, and retaining the best talent. We are committed to achieving a more inclusive and diverse workforce which is critical to having the best team with the most diverse perspective and set of experiences so we can make the best decisions.

When you put these four themes together, strong cash flow results. And we're going to continue to have a very disciplined and balanced approach to how we deploy it.

Forward looking statements

These prepared comments include forward-looking statements concerning current expectations and assumptions for future global economic conditions; logistics challenges, supply chain issues for customers, and raw material and energy costs; competitive position and acceptance of specialty products in key markets; mix of products sold; cost reductions; and revenue, earnings, adjusted diluted EPS, cash flow, and cash and cash equivalents for full-year 2022. Such expectations and assumptions are based upon certain preliminary information, internal estimates, and management assumptions, expectations, and plans, and are subject to a number of risks and uncertainties inherent in projecting future conditions, events, and results. Actual results could differ materially from expectations and assumptions expressed in the forward-looking statements if one or more of the underlying assumptions or expectations prove to be inaccurate or are unrealized. Important factors that could cause actual results to differ materially from such expectations are and will be detailed in the company's filings with the Securities and Exchange Commission, including the Form 10-K filed for 2021 available, and the Form 10-Q to be filed for first quarter 2022 and to be available, on the Eastman web site at www.eastman.com in the Investors, SEC filings section. These statements are based on our current beliefs and expectations and speak only as of the date of this release. We do not undertake any obligation to publicly update any forward-looking statements.