Eastman Q2 2022 Financial Results Prepared Remarks

July 28, 2022

Slides 1 and 2:

This document is the CEO's and CFO's prepared remarks for Eastman Chemical Company's second-quarter 2022 financial results. This is to be read with the second-quarter 2022 financial results news release and the slides detailing our second-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 July 28, 2022. On July 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 second-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 second-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 second-quarter 2022 financial results news release.

Slide 3 – 2Q22 highlights

The Eastman team delivered strong results across our portfolio despite several challenges and headwinds. Before we get into the results, we'd like to highlight how incredibly hard our teams across the world are working to drive innovation, deliver strong results, and work safely around the clock. Our strong culture creates an advantage for us as we come together and collaborate to face a dynamic global economy. We've invested in the capabilities of our organization, and those investments are paying dividends. To the women and men of Eastman, thank you.

Record sales revenue and adjusted EPS was driven by strong demand for our specialty products, fueled by above-market growth. Price increases across all operating segments recovered spreads in the face of significant levels of inflation. Chemical Intermediates also delivered excellent results, demonstrating commercial excellence and resilience despite normalizing market conditions.

Our attractive portfolio of innovative products once again is delivering growth above our underlying end markets. Performance films, Eastapure™ in coating additives, and animal nutrition products are all examples of product lines that are leveraging unique value propositions to outperform underlying end market demand, and we'll highlight each one these in the coming pages.

And our circular economy product offerings are accelerating this growth. Our Renew products also continue to build momentum in the marketplace with several brand adoptions in the second quarter. Eyewear is a great example of how we're driving growth with our sustainable Renew offerings. Just this morning, Safilo, which manages great brands like Kate Spade, Levi's, Jimmy Choo, Polaroid and many others, announced that they will begin using Tenite Renew cellulosic biopolymer, making them the first to put all three of our eyewear Renew families into their frames and lenses. Tenite Renew is a cellulosic biopolymer produced via Eastman's innovative carbon renewal technology, using hard to recycle plastic waste in the place of fossil fuel. Our product is composed of bio-based content and recycled content and offers the same premium feel and outstanding comfort of acetate with the additional unmatched fit adjustability that opticians need to create personalized eyewear fit.

We also continue to make significant progress advancing commercial agreements for all three planned polyester recycling projects, which we will share more about later in this document.

Consistent with our expectations, we repurchased approximately $750 million of shares in the second quarter, in addition to paying our attractive dividend. Disciplined, balanced capital allocation remains a priority for Eastman, and we're well-positioned to invest organically while also making meaningful cash returns to our stockholders.

And finally, we are proud to be recognized by the U.S. Department of Energy with a DOE Better Project Award for 2022.. Eastman was recognized for developing a modeling software and user interface that analyzes real-time, sitewide energy data. As a result of this project, we estimate we can achieve annual energy savings of 960,000 MMBtu and annual emissions reductions of 72,000 tons of CO2. This recognition is just another example of our commitment to sustainability and our action-oriented mindset as we move towards being carbon neutral by 2050 and to reduce our carbon footprint by one-third by 2030. And we are making meaningful steps towards those goals today, with our recently announced commitment to use 100% renewable electricity for all of our purchased electricity in North America and Europe by 2030.

Slide 4 – Corporate

Sales revenue increased 15 percent excluding the impact of divested businesses. This growth was driven by strong price increases across all operating segments to offset significant levels of inflation. Selling prices increased sequentially and increased in each operating segment. Our business teams worked to keep pace with higher raw material, energy, and distribution costs, which continued to increase during the second quarter. Excluding the impact of divested product lines, sales volume/mix increased 2 percent year over year. Across our portfolio, there was solid demand in medical, personal care, semiconductors, and animal nutrition end markets. Persistent logistics constraints, lockdowns in China related to COVID-19, and a weak global automotive end market were partial constraints to this strong demand. Adjusted EBIT increased on a year-over-year basis as lower planned manufacturing maintenance costs, recovered spreads, and higher sales volume/mix more than offset unfavorable currency impacts and the negative impact of divested earnings. A strengthening U.S. dollar had a significant impact on second-quarter earnings. Despite

this headwind, adjusted EPS was a record. On a currency neutral basis, adjusted EPS approached $3.00 in the second quarter. As energy costs continue to rise across the globe, particularly in Europe, Eastman continues to benefit from our asset footprint, with approximately 75 percent of our total revenue being produced on assets located in the U.S. We also meaningfully reduced our share count during the second quarter with the completion of our accelerated share repurchase program, and we have more than offset the dilutive impact of divested earnings.

Slide 5 – Advanced Materials

Advanced Materials delivered strong results despite several headwinds in the quarter. Sales revenue increased 10 percent, with selling prices increasing 13 percent. Sales volume/mix was relatively unchanged. Underlying market demand remained strong, with the strength of our position in both consumer durables and medical showing delivering growth on a year-over-year basis. This strength was offset by continued weakness in the automotive end market, lockdowns in China related to COVID-19, and logistics constraints, which limited our ability to serve all the underlying consumer durables demand that we have created through our innovation efforts.

In the performance films business, we continue to see great success and increasing adoption of our high-quality paint protection and window films. On a sequential basis, global passenger vehicle sales were down approximately 6 percent in the second quarter due to continued component shortages and COVID-19 lockdowns in China. Despite this, our performance films team delivered stable earnings compared to the first quarter of 2022. This is an excellent result in a declining auto market, especially considering our footprint in China, where COVID-19 lockdowns dramatically impacted demand, as we continue to benefit from our integrated brand and channel strategies. Additionally, our digital technology, CORE, has become a must-have for our dealer channels due to its breadth of auto patterns and unique design that increases shop efficiency and analytics.

Adjusted EBIT increased slightly as strong pricing across the segment recovered spreads, partially offset by continued investment in growth. Selling prices increased, led by specialty plastics, where the business teams did an excellent job recovering spreads even with significantly higher costs for paraxylene. In advanced interlayers, the business teams increased prices during the

second quarter where contracts allowed, but the price increases were not sufficient to fully cover the unique raw material challenges presented by extensive supplier outages for vinyl acetate monomer ("VAM") and poly vinyl alcohol ("PVOH") that occurred in the second quarter. In Europe, PVOH and VAM prices were up approximately 90 percent in the second quarter, primarily driven by supplier outages. Energy costs were up close to 100 percent.

As we look to the back half of the year, we are well positioned to deliver solid earnings growth driven by volume and mix growth above our underlying end markets and higher prices as we work to keep up with higher energy costs and some higher raw material costs. However, given the increasing challenges in the global economic environment, our growth projections are moderating compared to our estimates back in April. There are a number of factors contributing to this:

- First, on volume mix, we continue to expect solid growth year over year as we leverage our innovation-driven growth model to grow faster than our end markets – a capability that we have established for over a decade. However, we do expect slowing global growth in some underlying markets, including consumer durables. We are also now expecting less improvement in global auto OEM production than we had expected earlier in April.
- Next, we had projected that we would recover approximately $100 million of spread in the back half of the year compared to the year-ago period. Over the last three months, there has been a significant dislocation in the PVOH and VAM markets, and as a result, prices have spiked and are not expected to moderate significantly until later in the year. Across the segment, there has also been a significant increase in global energy costs, particularly in Europe. As a result, we now expect to recover between $50 and $75 million of spread.
- And given the global nature of this segment, with approximately 70 percent of sales outside of the U.S., we expect the strong U.S. dollar to be about a $25 million headwind.

The combination of these factors leads us to project third-quarter earnings will be up approximately 10 percent compared second quarter, and full-year 2022 earnings will be up greater

than 5 percent compared to 2021. Considering the macro challenges the business is currently facing, Advanced Materials is once again demonstrating strength and resilience.

Slide 6 – Circular solutions gaining momentum

Next up is an update on our circular solutions platform, which will be a new vector of significant growth for Eastman. Given the capabilities we have built and the progress we are making, Eastman today is frequently recognized by brands, policymakers and feedstock suppliers as a leader in molecular recycling. In particular, we have great engagement by brands in our circular projects, reflecting their interest in working with a solution provider who can help them address the triple challenge of solving the plastic waste and climate crises while continuing to improve the quality of life for the emerging middle class around the world.

Starting first with our methanolysis facility in Kingsport, which will be the world's largest polyester recycling facility, our team is doing an excellent job overcoming the supply chain challenges facing the mechanical completion of this facility. We continue to expect completion by the end of the first quarter of 2023, which is less than 9 months from today. As previously mentioned, we continue to have great engagement with brands who are looking for specialty plastics with a sustainable value proposition. We currently have more than 1,000 sales opportunities, which exceeds the capacity of this facility. End markets include food-grade applications, personal care, and medical. Regarding feedstocks for this facility, we continue to have more than 75 percent of the feedstock we will need either being procured today, under contract, or in active negotiations.

Next is an update on our France project. One of our key milestones for this project is securing feedstocks and we are making strong progress. We are working with multiple suppliers in France as well as across Europe and now expect to have over two-thirds of our needs under definitive agreements by the end of the year. This level of commitment from suppliers positions us well to move forward with this project. We've also made great progress in our discussions with Port-Jérôme-sur-Seine, signing an agreement with Caux Seine Anglo in Normandy to secure the land and making good progress on the incentives and permitting processes. And then lastly, we've

seen significant engagement from global brands for this project with several letters of intent for multi-year supply agreements and we expect to have definitive agreements by the end of the year.

We are making great progress on a potential third molecular recycling project, which would be in the US. This spring, we signed a long-term, cost pass through LOI with a baseload customer for the project and expect this will become a definitive agreement during the third quarter. We are also in negotiations with multiple additional customers for this project. In addition, we are pursuing incentives in Texas and a number of other states as we ramp up our site selection process.

Overall, our circular solutions platform is gaining momentum as we make progress on milestones across all three projects, and we will provide updates in the coming months as we make additional progress.

Slide 7 – Additives & Functional Products

Sales revenue increased 27 percent due to 20 percent higher selling prices and 11 percent higher sales volume/mix, partially offset by an unfavorable currency impact. Sales volume/mix increased due to strong demand across all regions in end markets including animal nutrition, personal care, semiconductors, and building and construction. We also benefited from improved product availability in care additives, which had a large, planned manufacturing maintenance shutdown in second-quarter 2021. Overall, Additives & Functional Products delivered topline growth driven by strong pricing and key wins across our innovation portfolio.

One example is in animal nutrition, where the animal production industry is challenged with feeding a world population expected to grow from 8 to 10 billion people by 2050. With one of the broadest organic acid portfolios and our specialty additives for gut health, animal nutrition delivered double-digit volume growth through the first six months of 2022. We are helping the industry deal with the challenges of moving away from antibiotics, increasing feed and food biosecurity through improved feed hygiene, being more sustainable, and improving animal welfare. We are on track to deliver outperforming growth by providing overall gut health and hygiene control solutions. We have won new business and continued to build our opportunities in the second quarter, led by products such as our Entero-NOVA brand of specialty gut health additives and by leveraging the full capabilities of the 3F Feed and Food acquisition.

In coatings, the Eastapure™ electronic solvents team continues to validate Eastman product offerings with key customers, while delivering growth for the platform and building capabilities to position Eastman as a quality leader in high-purity electronics-grade solvent supply combined with a differentiated service offering. Strong demand for semiconductors continues driving growth of Eastapure™ solvents. We closed two major opportunities in the second quarter with key customers, and we are making targeted capacity expansions to serve this exciting growth opportunity. These are just a few examples of how we're delivering strong growth this year in AFP and why we're confident in our growth for the future.

Our AFP commercial teams did an excellent job raising prices to keep pace with raw material and energy prices, which continued to rise during the second quarter. Our price realization came in better than originally expected back in April, leading to a strong quarter. Adjusted EBIT increased 33 percent due to higher sales volume/mix and lower planned manufacturing maintenance costs. Higher selling prices recovered spreads, which were catching up to higher levels of inflation in 2021 and the first half of 2022.

Looking to the second half of 2022, we project continued strength in resilient end markets like animal nutrition, personal care and specialty fluids. There are some markets where we are beginning to see some slowing, including automotive refinish coatings and building and construction. And we expect the strong U.S. dollar to be a headwind in the back half of the year. Putting all these factors together, we project AFP adjusted EBIT will be between $520 and $550 million, which would be almost 20 percent growth at the midpoint in a challenging environment.

Slide 8 – Fibers

Fibers revenue increased 9 percent due to 12 percent higher selling prices, partially offset by modestly lower sales volume/mix. Higher selling prices were due to higher raw material, energy and distribution costs.

EBIT was unchanged as good progress recovering spreads with higher selling prices was offset by higher manufacturing costs and modestly lower sales volume/mix.

In the second half of the year, we expect higher prices to keep pace with higher raw material prices, although higher energy costs will be a headwind. We also expect to benefit from

modestly higher volumes in the second half compared to the first half. While the underlying textile end market is under some pressure due to inflation at the consumer level, demand for sustainable textiles continues to grow faster than the underlying end market. In the third quarter, planned shutdowns and higher operating costs will be a sequential headwind to earnings. As a result, we expect second-half EBIT to be modestly higher compared to first half, with the third quarter similar to first-quarter 2022.

Slide 9 – Chemical Intermediates

Chemical Intermediates delivered very strong results in the second quarter. On a year-over-year basis, sales revenue increased 17 percent driven by 19 percent higher selling prices. These higher selling prices were due to significantly higher raw material, energy and distribution costs. Sales volume/mix was flat as strong demand in end markets including food, feed and ag, and pharma was offset by weakness in transportation and building and construction.

Adjusted EBIT increased due to lower planned manufacturing maintenance costs. Higher spreads in functional amines and acetyl product lines were mostly offset by lower spreads in certain olefins product lines.

Chemical Intermediates is on track to structurally improve segment earnings quality through specific actions that address cost structure, product mix, and volatility. First, we are delivering strong, stable growth in higher-margin product lines like functional amines and acetyls. We have also taken actions to reduce the volatility of olefins in the portfolio. Functional amines and acetyls are expected to account for approximately 40 percent of segment revenue in 2022, even with above-normal prices for olefins products. Specifically for functional amines, which has most of its volume in the ag market in North America, a significant amount of its business is under a cost pass-through pricing mechanism that provides stable spreads despite raw material volatility at higher-than-segment-average margins. Over time, this business has grown organically and through meaningful customer relationships, including an exclusive partnership with Corteva™ for its Enlist weed control system. Functional amines is well positioned for growth in the coming years, providing further stability to Chemical Intermediates earnings and a set of attractive, integrated assets that provide key raw materials for other AFP and AM product lines.

Beyond functional amines, our downstream acetyl derivatives are also demonstrating solid performance this year. With a relatively stable industry structure and demand across several stable end markets like pharma, food, feed and ag, and home care, this set of products is well positioned to provide stable, resilient earnings.

In olefins, past and future actions reduce the weight of olefins in the portfolio, while growing the share of higher-margin intermediates. We upgraded the flexibility of our cracker operations to reduce the amount of merchant ethylene we sell through the refinery-grade propylene project. We also shut down unprofitable assets, including in Singapore. In the future, we are evaluating even more actions to raise the base of earnings in this business and reduce volatility, including an ethylene-to-propylene conversion project, which we outlined at Innovation Day in December.

Looking ahead to the second half of the year, we expect functional amines and acetyl earnings to continue to show resilience. There are select markets with some slowing demand, including in building and construction where our plasticizers are sold into applications like flooring. We also expect moderation in auto and consumer durables end markets to reduce demand for CI products, contributing to a normalization of spreads. Further headwinds are expected due to planned shutdowns in both olefins and acetyls and strong intermediate demand for our specialty products in AM and AFP. We project spreads in olefins to continue to normalize and energy costs to remain elevated. Putting it all together, we expect full-year adjusted EBIT to be above full-year 2021. As we think about the shape of the year, we expect the fourth quarter to be lower than the third quarter due to normal seasonal patterns.

Slide 10 – Cash flow and other financial highlights

As we enter a period of economic volatility, Eastman remains well positioned with strong cash generation and a solid, investment-grade balance sheet. Working capital was a headwind in the first half of 2022 due to significant levels of inflation. Additionally, operating cash flow was negatively impacted by variable compensation payouts for 2021 performance and reduced cash earnings from divested businesses. As we move into the second half of the year, operating cash flow generation is expected to improve, consistent with our normal seasonal patterns. While we

expect working capital to be a net headwind for the full year, we expect to take action to reduce the impact of this inflationary period. Due to these headwinds in working capital, we expect operating cash flow of approximately $1.5 billion in 2022 compared with our previous expectation of approaching $1.6 billion.

During the second quarter, we also repaid the majority of the $750 million August 2022 senior note with a combination of a five-year, $500 million term loan and available cash. The remaining balance was repaid in early July. Eastman's net debt at the end of the second quarter was approximately $4.5 billion, and our cash on hand is approximately $450 million.

Eastman returned approximately $950 million to stockholders in the first half of 2022, including $750 million in share repurchases in the second quarter alone, and we continue to expect share repurchases to total greater than $1 billion for full-year 2022. Our commitment to investing in high-return organic growth and returning cash to stockholders remains unchanged. Capital expenditures are expected to total approximately $700 million in 2022, with the level of spending ramping up from the third quarter into the fourth quarter due to timing of spending for the Kingsport methanolysis facility. Our full-year 2022 forecasted adjusted effective tax rate is between 15 and 16 percent, and we are taking actions to be at the low end of our previous range. Adjusted Loss Before Interest and Taxes for Other is expected to be approximately negative ($90) million for full-year 2022. Interest expense is now expected to be $180 million for full-year 2022.

Slide 11 – Full-year 2022 guidance

Looking at our outlook for 2022, we remain well positioned for strong adjusted EPS growth and resilient operating cash flow in this increasingly challenged and dynamic global economic environment. This strong performance is driven by a number of tailwinds, starting with leveraging our innovation-driven growth model to deliver strong mix improvement and volume growth as we outperform our underlying markets in our specialty businesses. We also expect to continue raising prices, particularly in our specialty product lines, in response to persistently high inflation. In addition, we remain committed to investing in growth across the company, including for our circular initiatives. We are continuing to manage our costs in this inflationary environment, leveraging our operations transformation program and our continuous productivity mindset. Our

U.S.-based cost structure is also an advantage relative to competitors around the world in the current environment. Lastly, we have more than offset the dilution from our recent divestitures with share repurchases to date and our diluted share count through the first half of the year declined by 7 percent.

We are also facing a number of headwinds in the back half of the year, beginning with moderating demand in select markets. For example, we are seeing both the consumer durables and building and construction markets begin to slow. In addition, while the auto market is recovering as supply chain issues moderate, we now expect the recovery to be slower than we and the market had expected earlier in the year. As previously mentioned, higher energy costs and some raw material costs are expected to remain at higher levels in the back half of the year than we had previously expected. And if the U.S. dollar remains at current levels, that would be about a $0.35 negative impact to full-year EPS.

There are also a number of macroeconomic uncertainties, including continued high global inflation, the impact of the Russia/Ukraine conflict on global growth, the lingering impact of COVID in China and around the world, and continued challenges with global supply chains.

Despite these increasing challenges, with our actions to drive innovative growth and mix improvement as well as recover spreads, we are reaffirming our expectation for adjusted full-year EPS of $9.50 - $10.00, which would represent over 10 percent growth at the midpoint compared with 2021.

For the third quarter, our segment guidance implies solid adjusted EPS growth above the year-ago period, with strong growth in Advanced Materials partially offset by normalization of spreads in Chemical Intermediates.

And for operating cash flow, as mentioned earlier, we expect to generate approximately $1.5 billion, which is slightly lower than our previous expectations due to the impact of inflation on working capital.

Slide 12 – Well positioned to navigate an uncertain global economy

As we consider the uncertain economic times ahead of us, we remain committed more than ever to the five key themes that we outlined at Innovation Day in December of 2021. These

investment themes are critical focus areas for our teams as we work to navigate challenging operational environments to deliver outperformance. When underlying demand begins to weaken, innovation is even more critical. That is why we are so proud of our innovation-driven growth model. This model is the heart of who we are and how we win in the marketplace every day. We are 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 product solutions leveraged to disruptive, sustainability-focused macrotrends, we are confident that as Eastman delivers compelling growth, we are also making a positive impact.

We also remain committed to investing in our top growth program: our circular economy technologies. This new vector of growth provides us the opportunity to deliver attractive growth by addressing the plastic waste crisis and reducing 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 circular technology platforms based on our world-class polyester and our cellulosic biopolymers technology platforms. We are making great progress advancing commercial agreements for each of the three polyester methanolysis projects we are working on. And we continue to see strong engagement on our biodegradable cellulosic polymers.

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 better support growth while keeping inventory levels optimized. And our operational transformation will improve our reliability and cost competitiveness. Of course, the credit for of all of this exciting transformation is due to our employees across the world. They've gone above and beyond, working long hours many times in difficult conditions and most importantly have been diligent to keep themselves and their fellow employees safe.

ESG is also integrated into how we do business at Eastman. We are committed to reducing

our greenhouse gas emissions by one-third by 2030, and then to achieving carbon neutrality by 2050. And we are not sitting around. We are acting on these goals today. 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 perspectives and set of experiences so we can make the best decisions.

Finally, our strong cash generation and solid balance sheet underpins the flexibility and speed with which we operate our company. We feel confident in navigating the coming years, and we look forward to delivering outstanding results for our owners and other stakeholders.

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 second 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.