Eastman Q3 2022 Financial Results Prepared Remarks

October 27, 2022

Slides 1 and 2:

This document is the CEO's and CFO's prepared remarks for Eastman Chemical Company's third-quarter 2022 financial results. This is to be read with the third-quarter 2022 financial results news release and the slides detailing our third-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 October 27, 2022. On October 28, 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 third-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 third-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 third-quarter 2022 financial results news release.

Slide 3 – 3Q22 highlights

The Eastman team is working incredibly hard to deliver solid results in a challenging operating environment. The execution of our strategy starts with our strong culture and the 14,000 team members who make up our company. We've successfully delivered on several important focus areas across our organization in the third quarter, and we'll highlight those below.

First, we have done an excellent job of increasing price and managing our market positions in the first nine months of the year, and we defended our value in a weakening market. On a year-over-year basis through the first nine months of 2022, we increased selling prices 15 percent. We have had extraordinary success in keeping pace with unprecedented levels of inflation across the company. Our strong revenue growth compared to last year is a proof point of our commercial excellence and the investments we've made in our sales, marketing, and digital capabilities. While we saw weakening in our end markets and were limited by capacity constraints in the third quarter, we leveraged our innovative products to pivot toward improving our product mix by prioritizing growth in our high-value end markets.

We remain on track for our three molecular recycling projects. We've recently achieved two very important milestones that continue to validate our business model to solve the plastic waste crisis and create significant value. First, we've signed a definitive, supply agreement with PepsiCo to baseload a third polyester renewal recycling facility, which will be based in the U.S. We'll share more about that project later in this document. Second, we're proud to partner with Interzero on a long-term feedstock supply agreement for our planned molecular recycling facility in France. Interzero Plastics Recycling is an innovation leader in plastics recycling with the largest sorting capacity in Europe and many years of experience. The agreement with Eastman outlines that Interzero will provide up to 20,000 metric tons per year of hard-to-recycle PET household packaging waste that would otherwise be incinerated. This collaboration reinforces the complementary nature of mechanical and molecular recycling, and the importance of working together to create true circularity.

As evidenced by the highlights above, sustainability is supremely important to Eastman and how we win in the marketplace. In the third quarter, we reiterated our strong commitment to transparency and sustainability by issuing our 2022 Sustainability Report. In the report, you'll find

we've made great progress towards several of our key milestones, including reducing our carbon footprint by one-third by 2030 and being carbon neutral by 2050. We are proud to be a company that transparently discloses our progress towards these essential goals.

We also returned approximately $250 million of cash in the third quarter and approximately $1.2 billion in the first nine months through our dividend and share repurchases. Our strong balance sheet allows us the flexibility to invest in growth and return cash to shareholders, even in periods of economic volatility.

And finally, we're proud to be recognized with two coveted Brandon Hall Group Gold awards for excellence in the Best Learning Program for Unconscious Bias Award and Learning Program Supporting a Change Transformation Business Strategy Award categories. The two winning entries were for Eastman's Inclusive Leadership training program and its Life Cycle Assessment training. We remain committed to investing in the capabilities of our people, and these awards are great validation that Eastman is making a material difference in the lives of our employees and in the world.

Slide 4 – PepsiCo and Eastman have reached a definitive supply agreement

We are excited to announce that PepsiCo and Eastman have reached a definitive supply agreement for Eastman's planned third molecular recycling facility, to be located in the U.S. PepsiCo will be a baseload customer for this facility, which is expected to be operational in 2026. The facility will use approximately 160,000 metric tons annually of hard-to-recycle waste as a feedstock to produce approximately 150,000 metric tons of polymers with no compromise in quality. The polymers will be used by PepsiCo and other customers for packaging and textiles applications. The definitive agreement is consistent with Eastman's circular contracting strategy and provides stable margins.

Eastman's proven polyester renewal technology, or methanolysis, provides true circularity back into food-grade applications for hard-to-recycle plastic waste that is typically incinerated, sent to a landfill, or ends up in the environment. The hard-to-recycle waste is broken down into its molecular building blocks and then reassembled to become first-quality material without any

compromise in performance. With the technology's inherent efficiencies, polymers can be produced with greenhouse gas emissions substantially lower than traditional methods.

In addition, molecular recycling is complementary to mechanical recycling, and both technologies are needed to enable a truly circular economy. When possible, mechanical recycling should be used first, as it is the most carbon-efficient recycling method. Mechanical recycling is also limited by what can be recycled back into food-grade applications, and the plastic degrades over time. Given the scale of the waste plastic crisis – with only about 15 percent of waste plastic being recycled today – molecular recycling is also needed. Molecular recycling technology addresses the majority of plastic waste that has little value or can't be mechanically recycled, and therefore is necessary to renew all material and avoid end of life. Molecular recycling is necessary, now and into the future, to keep carbon-efficient plastic as a long-term solution compared to other materials that have a much worse impact on the climate.

This definitive agreement is an important milestone for Eastman's circular economy platform, and we are looking forward to making progress on this and our other two molecular recycling projects in the coming quarters as we continue to prove to the world what is possible.

Slide 5 – Corporate

Financial results in the third quarter were in line with our mid-September update. On a year-over-year basis, revenue increased 13 percent excluding the impacts of divested product lines and unfavorable foreign currency exchange rates. Selling prices increased approximately $380 million in response to significantly higher raw material, energy, and distribution prices. Improved product mix due to strong growth in transportation and medical end markets was offset by lower sales volume, which decreased due to slowing demand across several key end markets, including building and construction and industrial. Sales volume growth was also limited by a power outage at our Kingsport, Tennessee, site in late July and outbound logistical constraints, especially for marine shipments.

Adjusted EBIT decreased due to the impact of divested product lines, unfavorable foreign currency exchange rates, higher manufacturing costs due to planned and unplanned maintenance, and continued investment in growth, partially offset by lower SG&A expense. Higher selling prices

offset significantly higher raw material, energy, and distribution costs, with energy costs accelerating through the quarter. Excluding foreign currency exchange rates and the impact of raising prices to offset higher variable costs, adjusted EBIT margins were approximately flat to last year, demonstrating strong commercial performance in this inflationary environment.

Regarding the two major operational outages that occurred at our Kingsport site this year, we estimate the negative impact on EBIT for full-year 2022 is approximately $100 million due to the lost opportunity on sales volume. The first-quarter steam line incident resulted in approximately $75 million of lost sales volume. The Kingsport power outage in the third quarter limited our ability to recover lost volumes from the first quarter before markets started to weaken. The impact of these outages was mostly in Advanced Materials but also impacted Chemical Intermediates and Fibers. The $50 million of accelerated costs associated with the first-quarter steam line incident does not have an impact on full-year earnings.

Slide 6 – Advanced Materials

On a year-over-year basis, sales revenue increased 15 percent due to 16 percent higher selling prices and 3 percent higher sales volume/mix, partially offset by 4 percent unfavorable foreign currency exchange rates. Higher selling prices were led by specialty plastics and advanced interlayers, which experienced significantly higher raw material, energy, and distribution costs. Improved product mix was due to strong growth in premium products, including approximately 12 percent growth for Tritan™ and medical applications in specialty plastics, and approximately 15 percent growth in premium products in the automotive market. Our premium multi-functional interlayer products were up over 50 percent in automotive applications with key wins driven by Head-Up-Display in China, continuing strength in electric vehicles, and our close alignment to the premium vehicle market. Across the AM portfolio, we continue to outperform underlying end markets. Solid sales volume growth was limited by an unplanned shutdown and logistical constraints before end markets started to weaken.

Adjusted EBIT increased slightly as product mix improvement was mostly offset by unfavorable impact from foreign currency exchange rates and higher manufacturing costs resulting

from an unplanned shutdown. Spreads were slightly favorable as higher selling prices more than offset higher raw material, energy, and distribution costs.

In the fourth quarter on a year-over-year basis, we expect adjusted EBIT to be somewhat down due to the strong currency headwind we face. We expect sales volume/mix to be lower due to weak market conditions in consumer durables, partially offset by growth in the automotive market. We expect the lower volume and associated asset utilization headwinds will be offset by modest spread improvement. While we are making progress in recovering spreads from 2021, the increasing costs through the back half of the year, particularly for raw materials and energy, have delayed the expected spread improvement in Advanced Materials. As we look forward into next year, we expect a meaningful tailwind as lower raw material costs start to flow through inventory and distribution costs ease to due to improved mode mix and lower rates.

Slide 7 – Additives & Functional Products

On a year-over-year basis, sales revenue increased 12 percent due to 16 percent higher selling prices and 1 percent higher sales volume/mix, partially offset by 5 percent unfavorable foreign currency exchange rates. Higher selling prices were in response to significantly higher raw material, energy, and distribution costs. Approximately half of the price impact in the third quarter was due to cost-pass-through contracts. Improved product mix due to increased sales of aviation fluids attributed to the strong recovery in domestic flights was partially offset by slowing primary demand and destocking in building and construction and industrial end markets for coatings additives products, especially in Europe and China. Adjusted EBIT decreased slightly due to foreign currency exchange rates.

Looking at the fourth quarter on a year-over-year basis, we expect earnings to be substantially lower for three reasons. First, we expect lower volume with normal seasonal declines and some accelerated de-stocking. Second, we expect to have higher manufacturing costs from planned shutdowns and lower asset utilization rates. Third, currency continues to be a substantial headwind on a year-over-year basis. These factors are expected to be partially offset by a modest improvement in spreads. While we had strong pricing success, energy costs continue to be a

headwind for AFP, which produces approximately 35 percent of the segment's total production volume in Europe.

Slide 8 – Fibers

On a year-over-year basis, sales revenue increased 13 percent as 16 percent higher selling prices due to higher raw material, energy, and distribution prices were partially offset by 2 percent lower sales volume/mix. Adjusted EBIT decreased due to higher manufacturing costs and lower sales volume/mix. Higher selling prices were offset by higher raw material, energy, and distribution costs.

In the fourth quarter, we expect sales volume/mix to increase as we serve solid underlying demand for acetate tow, which was constrained in the third quarter due to an unplanned shutdown. We also expect solid demand for our textile products to continue as we outperform underlying end markets. Higher sequential selling prices are expected to recover spreads, which have been compressed by higher energy costs. Finally, we expect lower planned manufacturing costs compared to the third quarter. As a result, we expect fourth-quarter adjusted EBIT to be significantly above fourth-quarter 2021 levels.

Slide 9 – Chemical Intermediates

On a year-over-year basis, sales revenue increased 3 percent due to 14 percent higher selling prices attributed to higher raw material, energy, and distribution prices, partially offset by 9 percent lower sales volume/mix. The lower volume/mix was due to slowing end-market demand, customer destocking that accelerated through the quarter, and planned and unplanned manufacturing shutdowns. Adjusted EBIT decreased due to lower sales volume/mix, the normalization of spreads, and higher manufacturing costs, partially offset by lower SG&A costs.

Looking to the fourth quarter, sequentially we expect sales volume/mix to be negatively impacted by continued customer inventory destocking and normal seasonal patterns. These declines are expected to be partially offset by improved sales volume for acetyl products resulting from increased capacity after a planned shutdown in the third quarter. While we will remain disciplined, we also expect selling prices to decline resulting from lower raw material, energy, and

distribution prices. We are also adjusting our own operating rates to reflect the lower level of demand and destocking we are experiencing. As a result, we intend to keep one of our crackers in Longview, Texas, down after completing planned shutdown activities. Considering these factors together, we expect fourth-quarter adjusted EBIT to be somewhat lower than third-quarter 2022 levels.

Slide 10 – Cash flow and other financial highlights

As we remain in a period of economic volatility, Eastman remains well positioned with strong cash generation and a solid, investment-grade balance sheet. Working capital was approximately a $500 million headwind in the first nine months of 2022 due to significant levels of inflation. Additionally, operating cash flow was negatively impacted by higher variable compensation payouts for 2021 performance, reduced cash earnings from divested businesses, and higher cash tax payments. As we move through the fourth quarter, operating cash flow generation is expected to improve substantially compared to third-quarter levels as we focus on cash generation at the end of the year. We expect working capital to be a net headwind for the full year, but we expect to take action to reduce the impact of this inflationary period, including through lowering our inventories by between 5 and 10 percent in the fourth quarter. Due to the headwinds in working capital and lower cash earnings, we expect operating cash flow of approximately $1.0 to $1.2 billion in 2022.

Eastman's net debt at the end of the third quarter was approximately $4.6 billion, and our cash on hand is approximately $450 million. We remain committed to maintaining our solid, investment-grade balance sheet. Eastman returned approximately $1.2 billion to stockholders in the first nine months of 2022, including $150 million in share repurchases in the third quarter. We expect share repurchases to total approximately $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 $600 million in 2022, below our previous expectation of $700 million. Our full-year 2022 forecasted adjusted effective tax rate is approximately 15 percent.

Adjusted Loss Before Interest and Taxes for Other in the fourth quarter is expected to be slightly more negative than third-quarter levels due to increased investments in growth, particularly for circular economy initiatives.

Slide 11 – Fourth-quarter 2022 outlook

Looking at year-to-date 2022, we've done a great job of managing a very challenging environment. Our team is demonstrating excellence every day in driving innovative growth and demonstrating commercial excellence in pricing while managing a number of challenges. Our pricing excellence has kept pace with approximately $1.2 billion of higher raw material, energy, and distribution costs with higher prices through the first nine months of 2022. And, our pricing will continue to keep pace with another $200 million of inflation in the fourth quarter on a year-over-year basis, bringing the expected full-year 2022 increase of variable costs to approximately $1.4 billion. This incredible level of inflation is compared to our original outlook for inflation for this year of about $500 million.

In addition, we started off the year expecting modest economic growth. However, today we are at the beginning of a recession in the manufacturing part of the economy. In this environment, we remain focused on driving mix improvement as we leverage our innovation-driven growth model. Year to date, we have generated over $400 million of new business revenue from innovation, which is a confirmation of our ability to innovate with customers in any environment.

As we assess the fourth quarter on a year-over-year basis in this context, we expect customer inventory destocking to continue across several of our key markets. We also expect to reduce our own inventories to adjust to this lower level of demand. Lower volume and inventory reduction are leading to lower utilization. The second largest headwind in the fourth quarter is due to currency exchange rates. On a full-year basis, currency is approximately a 50 cent per share headwind. Offsetting these challenges is a modest improvement in spreads but not as much as originally expected due to higher costs persisting in the second half of the year. In this environment, we remain focused on outperforming our underlying end markets as we drive continued mix improvement. Putting all of these factors together, we expect fourth-quarter 2022

adjusted EPS to be between $1.10 and $1.40 and full-year 2022 adjusted EPS to be between $8.05 to $8.35. Operating cash flow is expected to be between $1 and $1.2 billion.

Slide 12 – Pathway to Solid Performance in 2023

As we look to 2023, there are several factors that give us confidence that we can deliver solid results, even in a mild manufacturing recession. We expect to drive volume growth despite difficult macroeconomic conditions as we leverage our innovation-driven growth model to drive growth above underlying end markets. We will continue to innovate with our customers and win in the marketplace with leading, sustainability-focused value propositions and product offerings. Although it is unclear if this destocking will end in the fourth quarter, we expect much of it will be complete by the end of 2022, putting the most difficult part of a recession behind us. We also expect the auto market to improve modestly next year from low levels this year. And finally, operational challenges in 2022 created a volume/mix headwind that is not expected to repeat in 2023.

As raw material and distribution costs decline next year, we expect to hold our pricing in our specialty businesses to continue to recover spreads from inflation in 2021 and 2022 and therefore return our spreads to the more appropriate level we had in 2019. We are confident in the strength of our specialty products' value propositions and our teams' commercial excellence to deliver a meaningful recovery of our spreads. We are already seeing the lower costs in our inventories and expect these lower costs to flow into our results next year. In addition, lower costs from distribution are expected as we improve mode mix and benefit from lower rates next year.

In Chemical Intermediates, we outlined several key actions we have taken to raise the mid-cycle level of earnings and reduce volatility in the segment. Strong growth in attractive product lines within this business has provided resilience in a challenging macroeconomic backdrop. In 2022, due to the strong expected growth of functional amines, we expect the combination of functional amines, acetic anhydride, and specialty plasticizers to make up approximately half of the EBIT in this segment. With stable end markets and a disciplined pricing model, these product lines are expected to show resilience in 2023. In other words, even if the olefins business, which makes

up the other half of the segment this year, was to decline significantly in a mild recession, mid-cycle EBIT of $300 million is still achievable.

We also expect to drive significant earnings growth in the Fibers business for the first time in several years. The last two years of this inflationary cycle has put a significant amount of pressure on spreads in the Fibers business but has also changed the way we approach pricing of our contracts. Our teams have done an excellent job of increasing prices this year by working with our customers to recover some of our higher costs. Looking ahead, we also achieved another substantial improvement in 2023 contract pricing, which is already in place for a significant majority of our acetate tow business, returning margins back to sustainable investment levels required to support the needs of our customers. Our new contracts have mechanisms in place to preserve margins, even with changes in variable costs. This new framework gives us confidence that Fibers EBIT growth in 2023 will offset the normalization in Chemical Intermediates EBIT as that segment reverts back to a mid-cycle level of earnings.

Turning to fixed costs, we also expect to reduce our cost structure by more than $150 million in 2023. About $100 million of these cost savings will be focused on manufacturing. In 2023, we expect lower costs from both planned and unplanned shutdowns. We also expect more efficient operations resulting from a slower demand environment. And we will take actions to control costs in non-manufacturing areas of the company.

As a final comment on tailwinds, we have meaningfully reduced our share count this year and expect to realize the annualized benefit to EPS from 2022 share repurchases and any 2023 repurchase activity, a clear advantage to having a solid, investment-grade balance sheet in a slowing economy.

There are also headwinds and uncertainties that are important to mention. First and foremost, the risk that the global economy is headed toward a more severe recession. Our current assumptions for next year contemplate a mild recession with a significant amount of inventory destocking complete by the end of 2022. Second, we expect to have at least a $100 million headwind in Other due to increased pension expenses and other post-employment benefits driven by increasing interest rates and a lower asset base. Despite the headwind to earnings, our pension plan remains well-funded and is not expected to require funding in 2023. We also expect to enter

2023 with the U.S. dollar remaining at very strong levels. We expect the annualized impact of the dollar at current levels compared to other major currencies will be between $50 and $75 million. We also expect some increased cost from increased interest expense. And finally, we will continue to invest in our circular economy initiatives and other top-growth programs.

The Eastman team remains focused on controlling what we can control, delivering key milestones for our circular economy initiatives, and driving innovation-led growth across the company.

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 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 third 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.