Eastman Q4 & FY 2022 Financial Results Prepared Remarks

January 26, 2023

Slides 1 and 2:

This document is the CEO's and CFO's prepared remarks for Eastman Chemical Company's fourth-quarter and full-year 2022 financial results. This is to be read with the fourth-quarter and full-year 2022 financial results news release and the slides detailing our fourth-quarter and full-year 2022 financial results, both of which were publicly issued and posted on our website (investors.eastman.com) after the close of NYSE trading on January 26, 2023. On January 27, 2023, 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 fourth-quarter and full-year 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-K to be filed for full-year 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 fourth-quarter and full-year 2022 financial results news release.

Slide 3 – 2022 highlights

Before commenting on our accomplishments, we acknowledge our disappointment in our fourth-quarter results. The quarter was characterized by exceptional challenges in demand, aggressive inventory destocking, and the impact of Winter Storm Elliott, all of which led to performance that was below our expectations. In addition, our growth in the first three quarters of 2022 was limited by operational and supply chain challenges. Taken together, financial performance for the full year was below the expectations we set for ourselves. As a result, we initiated aggressive actions to mitigate the impact of the current environment and improve our results for 2023.

In this challenging context, the Eastman team delivered numerous accomplishments worth highlighting. These highlights position us to start recovering from 2022 and build long-term shareholder value creation, even in a challenging 2023 environment. First, our business teams demonstrated commercial excellence by raising our selling prices to more than offset extraordinary inflation through the year in parts of our portfolio and kept up with inflation in other parts. In total, raw material, energy, and distribution costs increased by approximately ~$1.3 billion.

Later in the presentation, we'll share more detail about how we strengthened our position as a leader in the circular economy and how we're driving growth with a broad array of sustainable offerings.

We are also proud to have delivered solid new business revenue from innovation closes of more than $550 million in 2022. Despite a weakened global economy, this momentum we've built with our customers is a great proof point of our strategy that gives us confidence we can grow above our underlying end markets in 2023.

We also returned approximately $1.4 billion of cash to our stockholders through a combination of share repurchases and our growing dividend, which was increased for the 13th consecutive year.

We completed the divestiture of the non-strategic adhesives resins product lines in second quarter 2022 for a total purchase price of $1 billion, giving us the opportunity to drive results in a more stable, focused Additives and Functional Products segment.

And finally, we issued our 2022 Sustainability report in the third quarter, reiterating our strong commitment to addressing the triple challenge of carbon neutrality, circularity, and caring for society.

Slide 4 – Significant circular economy milestones achieved in 2022

Moving next to the significant milestones that were achieved in 2022 on our circular economy projects: Eastman remains a leader in solving the global plastic waste crisis, and 2022 was a year in which we continued to demonstrate to the world what's possible. In one year, we achieved tremendous progress in going from one facility under construction to three projects in development. This gives us great confidence in the ability of this platform to create significant value for our customers and our shareholders.

Our proven polyester renewal technology, or methanolysis, provides true circularity into both durable and food-grade applications for hard-to-recycle polyester 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.

Starting with our methanolysis facility that is being constructed at our largest manufacturing facility, located in Kingsport, Tennessee, in 2022 we completed installation of all major equipment. This was done despite a challenging macro environment for large capital projects due to supply chain, labor and other issues that persisted throughout the year and continue into 2023. As a reminder, this facility will use over 110,000 metric tons of polyester waste plastic annually that becomes between 150,000 and 200,000 metric tons of polymer with recycled content. Demand for our copolyester that contains recycled content remains strong, with more and more brands working with us in a number of durable end markets, including cosmetics, housewares, electronics, hydration, eyewear, and power tools. We currently have well over 1,000 sales opportunities, which significantly exceeds the capacity of the facility, and as a result we expect to fill out the facility much more quickly than is normal when serving specialty markets.

Lastly, as we approach completing construction and then ramping up to commercial rates, we have over 75 percent of the polyester plastic waste feedstock required to run the facility being procured, which gives us confidence we will have the feedstock we need to operate the facility.

Moving next to the second methanolysis facility that we are planning for the U.S.: Our biggest milestone achieved last year was reaching a definitive agreement with PepsiCo, who will be a baseload customer for this facility. The first phase of this project will use approximately 110,000 metric tons annually of polyester waste plastic as feedstock and is expected to start operations in 2026. The site will be designed so that in a second phase, the amount of waste plastic used as a feedstock can be doubled in size to approximately 200,000 metric tons in a capital-efficient manner. 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. Now that we have a definitive agreement for the baseload volume from the facility, we are moving quickly to choose a site and pursue incentives. We have also initiated engineering work on the facility and are making great progress.

Next, on our announced project in France, we've also made significant progress in 2022. After announcing the project with President Macron in January, we began a thorough site selection process, which resulted in the selection of Port-Jérôme-sur-Seine in Normandy. Since then, we have made great progress on pursuing incentives both in France and in Europe for the project, as well as on permitting. This project will produce a range of polyesters (including rPET and copolyesters), utilizing recycled content for the packaging and textiles markets. Similar to the second U.S. project, we will leverage a two-phase approach, with the first phase designed to consume 110,000 metric tons of polyester waste plastic as feedstock, and then increasing that to greater than 200,000 metric tons in phase two. Brands continue to be excited about the project, and we have numerous LOIs in place, including with LVMH, L'Oreal, Danone, Estee Lauder, Clarins, and Procter & Gamble. On polyester feedstocks, we have also made great progress with about half of the required waste plastic under definitive agreement. One important example of this is the long-term supply agreement we reached with Interzero, an innovation leader in plastics recycling in Germany. This agreement reinforces the complementary nature of mechanical and molecular recycling, and the importance of working together to create true circularity.

Slide 5 – Expect to achieve critical circular economy milestones in 2023

2023 is a pivotal year for our circular economy platform, and given the progress made in 2022, we are well-positioned for success. Our key milestones begin with completing construction of the methanolysis facility in Kingsport. We now expect to begin commissioning and startup activities by early summer. This is a few months later than we had anticipated, with the main issue being the ability to hire and retain craft labor. We expect to ramp up to commercial quantities in the fall and continue to expect to begin delivering copolyester with recycled content to our customers in the second half of the year.

Next, on our second methanolysis project in the U.S., demand for our products with recycled content to serve the packaging market remains robust. As a result, we expect to reach additional definitive agreements for the remaining capacity of the facility in 2023. We have made significant progress on choosing a site in the U.S. and expect to announce a location in the first half of the year. In addition, we are making good progress on pursuing incentives and on permitting for the project. Therefore, we expect to break ground on the project before the end of the year.

For the France project, as mentioned earlier, we have had great engagement from French and global brands. For the packaging portion of the facility, we expect to have definitive agreements in place for the majority of this volume before year-end. In addition, we expect to increase the amount of feedstock under definitive agreements from roughly half to over 80 percent. We are seeing great partnership with mechanical recyclers across Europe who fully value the complementary nature of mechanical and chemical recycling to solve the total waste plastic crisis. Lastly, given the progress we've made commercially with the site and with procuring feedstock, we expect to break ground on the facility before the end of the year.

Taken together, we expect the capital for these projects to be approximately $2.25 billion, about 10 percent higher than we had projected. While the current global inflationary environment has had an impact on our expected capital costs, we've taken steps to limit the impact by standardizing the asset design and driving synergies in engineering and capital procurement costs. In addition, we expect to realize lower material and construction costs as the global economy slows. We continue to expect the combined EBITDA from the first phase of these projects to exceed $450 million, and therefore to significantly contribute to Eastman's growth. This will start

with the Kingsport methanolysis facility contributing to EBITDA growth in 2024 and will continue with the contribution from the second U.S. facility and the French facility in 2026. Despite the increase in capital costs, we expect returns from these projects will be attractive and consistent with the guidance we provided at our 2021 Innovation Day. We remain confident in our ability to move each of these projects forward and, by doing so, to continue to prove to the world what is possible.

Slide 6 – Corporate

Fourth-quarter results were below our original expectations, with adjusted EPS of $0.89 and adjusted EBIT of $171 million. Sales revenue was $2,373 million and was lower by 12 percent on a sequential basis driven by an 11 percent volume/mix decline, which drove the adjusted EBIT decline. There are a few key drivers for these results. First, as the quarter progressed, demand decelerated across most key end markets, particularly for consumer durables and building and construction. Customer inventory destocking, which began in the third quarter, increased across all major markets and all regions. The destocking activity was most aggressive in December. In China, the rapid spread of COVID-19 sharply lowered demand across most markets, including the auto market, late in the fourth quarter. Finally, Winter Storm Elliott, which spread severely cold temperatures across most of the U.S. in late December, had about a $20 million negative impact on adjusted EBIT, or about $0.15 of EPS. Of this $20 million, about half was due to higher manufacturing costs associated with idling, winterizing, and repairing assets, and the other half was due to the temporary surge in energy costs, impacting both our Kingsport, TN, and Longview, TX sites. On a year over year basis, foreign currency exchange rates had an unfavorable impact on adjusted EPS of approximately $0.20.

Selling prices were down 1 percent compared to the third quarter as the business teams demonstrated pricing discipline in a low-demand and deflationary environment. While raw material prices trended lower during the quarter, weak demand and destocking limited the realization of these lower costs, which are expected to benefit 2023. As a result, spreads were flat.

Looking at the full year, sales revenue increased one percent due to 14 percent higher selling prices, partially offset by an 8 percent unfavorable impact from divested businesses, 3

percent lower sales volume/mix, and a 2 percent unfavorable impact from foreign currency exchange rates. Raw material, energy, and distribution costs increased approximately $1.3 billion compared to 2021. Our commercial teams demonstrated pricing excellence throughout the year, recovering some spread in AFP, CI, and Fibers. While Advanced Materials kept pace with extraordinary inflation, they did not recover spreads as we expected at the beginning of the year. In 2023, with raw material and energy costs expected to moderate, our disciplined approach to pricing should lead to a return of our spreads back to more normal levels. Through the first nine months, sales volume/mix was relatively stable as mix improvement was led by solid performance in higher-value products, including head-up display interlayers, copolyesters in medical applications, aviation fluids, and functional amines. This improvement in mix helped to offset limited volume associated with operational and supply chain challenges. On a full-year basis, sales volume/mix was lower entirely due to weak demand and destocking in the fourth quarter.

Adjusted EBIT decreased due to lower sales volume/mix, an unfavorable impact from divested businesses, an unfavorable impact of more than $70 million from foreign currency exchange rates, and higher manufacturing costs resulting from planned and unplanned shutdowns. Approximately $35 million of the FX headwind was recorded in Advanced Materials. Excluding the impact of raising prices to offset higher variable costs, adjusted EBIT margins were approximately flat to last year.

Slide 7 – Advanced Materials

While Advanced Materials confronted numerous significant challenges in 2023, the segment's strategy based on innovation and market development and now including circular economy offerings remains sound. We are confident in the future for this business and expect strong results here in 2023 and in the coming years.

Looking at the fourth quarter, on a sequential basis, sales revenue decreased 17 percent due to 17 percent lower sales volume/mix. Selling prices were higher by 1 percent, reflecting the discipline of our commercial teams. The lower sales volume/mix was driven by slower primary demand and significant customer inventory destocking, which accelerated through the fourth quarter. The destocking was most pronounced in consumer durables, which was down by 40

percent on a volume basis. We also saw destocking across most key end markets, including resilient markets such as medical and consumables. In China, the rapid spread of COVID-19 at the end of the fourth quarter resulted in a decline in demand in the automotive end market. Adjusted EBIT was lower due to lower sales volume/mix. Spreads were flat as the benefit of lower-cost raw materials was not realized in the quarter due to the slow demand environment.

Looking at the full year, sales revenue increased 6 percent due to 13 percent higher selling prices, partially offset by 4 percent lower sales volume/mix and a 3 percent unfavorable impact from foreign currency exchange rates. Higher selling prices across all product lines were due to significantly higher raw material, energy, and distribution prices. Lower sales volume resulted from reduced demand and aggressive destocking in consumer durables and building and construction end markets, primarily in the fourth quarter, as well as planned and unplanned manufacturing maintenance. Through the first nine months, sales volume/mix was relatively stable as mix improvement was led by solid performance in higher-value products, including head-up display interlayers, paint protection films, copolyesters in medical applications, and key Tritan™ end markets. This improvement in mix helped to offset production limitations associated with operational outages. On a full-year basis, sales volume/mix was lower due to weak demand and destocking in the fourth quarter.

Adjusted EBIT decreased due to lower sales volume, an unfavorable impact from foreign currency exchange rates, higher manufacturing costs, and increased growth spending, partially offset by more favorable product mix. Spreads were flat as higher selling prices offset higher raw material, energy, and distribution costs.

Looking at the first quarter on a sequential basis, the near-term outlook is mixed. In consumer durables, aggressive destocking is continuing through the first quarter. In automotive, first-quarter demand appears to be slightly below fourth-quarter levels. In more stable end markets like consumables and medical, destocking appears to have slowed. On balance, volume/mix should be up modestly from fourth quarter. We also expect a meaningful spread recovery as prices hold up and lower raw material costs start to flow through.

Beyond the first quarter, we see earnings improving for a few reasons. First, spreads are expected to improve compared to 2022 as price remains resilient relative to lower raw material

and energy costs flowing through to results. Second, we expect that the aggressive inventory destocking from the first quarter will not persist into the second quarter. Even if primary demand is weak for those applications, it should be improved compared to current trends as destocking abates. And finally, the cost actions being taken at a corporate level will start to benefit results. In the scenario described, we expect Advanced Materials adjusted 2023 EBIT to be meaningfully higher than adjusted EBIT in 2021.

Slide 8 – Additives & Functional Products

Although Additives & Functional Products also confronted numerous significant challenges in 2022, the segment was able to increase adjusted EBIT due to the improvements made to their portfolio over the last several years, commercial excellence in pricing, and innovation and market development efforts. While additional challenges are expected in 2023, including a slowing building and construction market, the global auto market remaining at recessionary levels, and aggressive destocking in some end markets continuing in the first quarter, the segment is well-positioned to successfully navigate this challenging external environment.

Looking at the fourth quarter on a sequential basis, sales revenue decreased 14 percent due to 12 percent lower sales volume/mix. Selling prices were lower by 2 percent driven by cost pass through contracts. The lower sales volume/mix was driven by slower primary demand and significant customer inventory destocking, which accelerated through the fourth quarter. The destocking, which was broad-based and across most key end markets, was most pronounced in building and construction and durables. In China, the rapid spread of COVID-19 at the end of the fourth quarter also reduced demand. Adjusted EBIT decreased due to the lower sales volume/mix and a lag in cost pass through contract pricing.

On a full-year basis, sales revenue increased 17 percent due to 18 percent higher selling prices, partially offset by a 4 percent unfavorable impact from foreign currency exchange rates. Higher selling prices across all product lines were due to significantly higher raw material, energy, and distribution prices. Sales volume/mix growth in care additives and animal nutrition was partially offset by a decline in building and construction and industrial end markets due to a deceleration of demand and customer inventory destocking that occurred in the fourth quarter.

Adjusted EBIT increased due to higher spreads as selling prices more than offset higher raw material, energy, and distribution costs and lower SG&A expense, partially offset by an unfavorable impact from foreign currency exchange rates.

Looking at the first quarter, near-term trends indicate a mixed outlook for end markets. We have some evidence that stable end markets such as personal care and water treatment are improving in the first quarter as the pace of destocking slows. In automotive, first-quarter demand appears to be slightly below fourth-quarter levels, and finally, building and construction and durables remain under pressure, with destocking continuing into the first quarter. On costs, lower raw materials are being offset with higher seasonal winter energy costs, leading spreads to be similar to fourth-quarter levels.

As we move past the near term, we see earnings improving from first-quarter levels for a few reasons. First, we expect raw material and energy costs to be lower and prices to remain resilient. We expect the spread improvement to be less than Advanced Materials as Additives & Functional Products faced less inflation in 2022 as cost pass through contracts managed inflation better in 2022. Second, cost actions taken at the corporate level will start to benefit results. And finally, we are starting to see destocking slow across some stable end markets and some normal seasonal improvement. While recognizing the substantial uncertainty in the current environment, we expect Additives and Functional Products 2023 adjusted EBIT to be below 2022 levels.

Slide 9 – Fibers

Starting with the fourth quarter, on a sequential basis, Fibers sales revenue increased 27 percent due to 17 percent higher sales volume/mix and 10 percent higher selling prices. Higher sales volume/mix was due to the fulfillment of customer demand, which was constrained earlier in the year due to planned and unplanned manufacturing maintenance. Higher selling prices were due to higher raw material, energy, distribution, and operating costs, which occurred throughout the year.

Adjusted EBIT increased as higher selling prices improved adjusted EBIT margins back towards acceptable performance levels and higher sales volume/mix.

In 2023, we enter the year with very low inventories after catching up to contractual commitments in the fourth quarter of 2022. On a full-year basis, we have a similar level of volume contracted in 2023 compared to 2022. With the actions we've taken on pricing, we expect first-quarter results to fully reflect the impact of the higher contract prices. All in, we expect first-quarter adjusted EBIT to reflect a run rate of approximately $275 million for full-year 2023. We have confidence in this strong performance because of the contract pricing in place today and our flexibility to mitigate changes in raw material and energy costs during the year.

We have worked hard to drive growth and return adjusted EBIT margins and cash flow generation for this business to acceptable performance levels. Combining the improved outlook for the acetate tow business with the growth potential we have for our numerous circular economy cellulosic offerings, including Naia™ for textiles, Aventa™ for food service, microbeads for cosmetics, and others, we have a sustainable base of earnings to reinvest our cash flow into this stream to create sustainability-driven growth for the future.

Slide 10 – Chemical Intermediates

Starting with the fourth quarter on a sequential basis, Chemical Intermediates sales revenue was down 18 percent due to 13 percent lower sales volume/mix and 5 percent lower selling prices. The lower sales volume/mix was due to significant destocking across most key end markets, including building and construction and consumer durables. Commerical teams demonstrated discipline by holding prices to a 5 percent decline despite slowing demand. Functional amines delivered another solid quarter and continues to benefit from a leading market position and an attractive set of stable end markets, with approximately 70 percent of products sold used in agriculture, pharma, and water treatment applications. Acetic anhydride sales volumes were stable on a sequential basis, highlighting resilient end market exposure, with approximately 80 percent of products sold used in food, pharma, and agricultural applications. Sales volumes were also limited by the shutdown of one of our smaller crackers, which was kept down throughout the fourth quarter due to limited demand after performing routine maintenance.

On a full-year basis, sales revenue increased 6 percent due to 16 percent higher selling prices partially offset by 8 percent lower sales volume/mix and a 2 percent unfavorable impact

from foreign currency exchange rates. Higher selling prices across all product lines were due to significantly higher raw material, energy, and distribution prices and tight market conditions. Lower sales volume/mix was primarily driven by a deceleration of demand and customer inventory destocking that occurred in the fourth quarter, particularly for the building and construction and industrial end markets. Adjusted EBIT decreased due to lower sales volume/mix, partially offset by increased spreads as higher selling prices more than offset higher raw material, energy, and distribution costs and lower SG&A expense.

Despite rapidly deteriorating market conditions for several commodity olefin products, earnings were supported by significant improvement in 2022 in functional amines and acetic anhydride.

In the near-term, we see a modest improvement in volume as destocking is slowing in the first quarter across several stable end markets. In building and construction, we see destocking continuing into the first quarter. On costs, higher seasonal winter energy costs are still working through results in the first quarter. Due to lower levels of overall demand, we expect to keep our idled cracker down through the end of the first quarter. For the full year, we expect the quarterly run rate of earnings to improve compared to first-quarter levels as the benefit of our corporate cost actions increase in the second quarter. We also expect destocking to be complete by the end of the first quarter and lower seasonal energy costs to benefit earnings. We expect to have more volume to sell with less planned and unplanned maintenance and lower manufacturing costs in 2023, offset by the normalization of spreads, especially in olefin products. In addition, bulk ethylene was approximately at cash costs in the second half of 2022.

We have confidence in delivering solid results this year despite weaker macroeconomic conditions as we leverage the strong growth over the last several years from functional amines, acetic anhydride, and specialty plasticizers product lines. Even with earnings from olefin products meaningfully lower compared to last year, the structural growth in our resilient products helps to underpin a solid year. All together, we expect Chemical Intermediates 2023 adjusted EBIT to approach $300 million.

Slide 11 – Cash flow and other financial highlights

As we remain in a period of economic volatility, cash flow continues to be a top priority for Eastman. Full-year 2022 operating cash flow was approximately $1 billion, near the low end of our third-quarter guidance. After steep drops in demand and aggressive destocking in the fourth quarter, Eastman teams worked incredibly hard to deliver fourth-quarter operating cash flow that was better than prior-year levels. Full-year operating cash flow was lower primarily due to lower adjusted EBITDA, including the impact of divested businesses, higher variable compensation payouts for 2021 performance, and increased use of working capital, which was nearly a $300 million headwind in 2022 reflecting the inflationary environment.

Eastman repurchased over $1 billion of shares in 2022 through a combination of operating cash flow and divestiture proceeds. Share repurchase activity, which has totaled over $2 billion over the last two years, has more than offset the dilutive impact of divested businesses. In keeping with our balanced capital allocation strategy, priorities for future uses of cash remain the same. We first look to invest in organic growth, especially for our circular economy initiatives. We also remain committed to our dividend, which was increased for the 13th consecutive year. And finally, we are always evaluating bolt-on acquisitions that will support our specialty businesses. In the absence of bolt-on acquisitions, we expect to repurchase shares with remaining cash generated.

Slide 12 – Pathway to Strong Performance in 2023

Although the year is starting out slow, we have a variety of factors that we expect will contribute to positive momentum as the year progresses. In the first quarter, end market trends are mixed. In a few slides, we provide more detail about what we are expecting across our markets. In short, we think destocking has mostly ended across several stable end markets but is persisting in consumer durables and building and construction. Transportation is trending slightly below fourth-quarter levels, primarily due to China.

On costs, raw materials are trending lower, but we are still working through seasonally higher energy costs. All in, spreads should be a tailwind in the first quarter compared to the fourth quarter as we remain focused on disciplined pricing as variable costs continue to decline, especially in Advanced Materials.

Compared to fourth quarter, these benefits will be mostly offset by increased pension costs and variable compensation returning to normal levels. Additionally, the benefits of our cost reduction actions will be limited in the first quarter. When considering these factors, we expect first-quarter adjusted EPS to be between $1.05 and $1.25.

As we look to the full year, there are several reasons why we expect that the earnings run rate in the final three quarters should meaningfully improve compared to the first quarter. First, the benefit of the $200 million of cost savings will mostly impact the final nine months of the year. Second, continued commercial excellence in our specialty businesses should improve spreads as lower raw material, energy, and distribution costs flow through inventory, particularly in Advanced Materials. Third, we are projecting that destocking is substantially complete by the end of the first quarter. On that basis, sales volume should improve sequentially even assuming weak underlying demand. Fourth, innovation should drive growth above our underlying markets. We are not assuming any substantial restocking of our supply chains in 2023, and we currently expect demand levels in China to improve in the second half of the year. Other tailwinds include the full-year impact of shares repurchased throughout 2022. In our forecast, we are assuming energy prices do not escalate in any meaningful way in connection with geopolitical events, including the war in Ukraine.

There are also some headwinds to consider. First, we built our plan based on a manufacturing recession scenario that started with a substantial drop in demand and aggressive destocking in the fourth quarter that continues through the first quarter, especially in consumer discretionary end markets. Our plan also assumes that stability returns to these markets in the back half of the year. There are several macroeconomic factors that could change this scenario for better or for worse. Second, foreign currency exchange rates, net of hedging, are expected be an approximately $50 million headwind this year. And finally, pension costs, higher interest expense, and variable compensation expense returning to normal levels are additional headwinds to 2023 EPS.

Based on our economic scenario and the actions we are taking, we expect adjusted EPS to grow by between 5 and 15 percent, excluding an approximately $0.75 pension headwind. We are

also taking a range of actions to improve our operating cash flow to be approximately $1.4 billion for the year.

Given all the uncertainty and the numerous challenges, if we are able to achieve these results it would be the beginning of a strong recovery and a testament to the resiliency of our portfolio. We are focused on achieving these expectations and controlling what we can control.

Slide 13 – Reducing cost structure by more than $200 million net of inflation in 2023

Given the weak demand backdrop in the fourth quarter and the slow start to 2023, we have increased this year's cost reduction target to more than $200 million net of inflation. Over the last couple years, certain costs have increased significantly as a result of supply chain inefficiencies attributed to strong demand after the COVID-19 pandemic. These inefficiencies were compounded by operational challenges in the early part of 2022 during a period of very strong demand. As a result, we are taking decisive actions to return our cost structure to a more normal level. About $125 million, net of inflation, of these cost savings will be focused on manufacturing and supply chain and will stem from a few key areas. First, we expect more efficient operations resulting from a slower demand environment. Second, we expect to have a more efficient mix of distribution modes associated with an optimized supply chain network and lower overall demand. . Third, we expect lower costs from both planned and unplanned shutdowns. And finally, we are always evaluating our asset footprint to serve our customers and lower our operating costs. The remaining $75 million, net of inflation, of savings is planned to come from non-manufacturing across two main areas: a reduced spending on consultants and third-party services and a workforce reduction. As we consider the cadence of these savings, much of our actions will ramp up early in the year, so the benefit of the savings will be limited in the first quarter, with a more even distribution of the $200 million in the final nine months of the year.

Slide 14 – Diverse end markets provide stability, but near-term outlook is mixed

Slide 14 is a breakdown of what we are currently seeing and what we are assuming across several of our key end markets in 2023. In markets more sensitive to consumer spending and the housing market, including consumer durables and building and construction, we are still

experiencing significant destocking in the first quarter. We are currently assuming that this destocking predominantly ends at the close of the first quarter. In transportation, we expect full-year auto builds to be modestly better compared to 2022, with first-quarter demand slightly below fourth quarter, mostly due to weak market conditions in China associated with the rapid spread of COVID-19. In more stable end markets like agriculture, water treatment, personal care, and pharma, we think destocking mostly stopped at the end of the fourth quarter, with volumes somewhat better in first quarter due to the lack of this destocking. Across all of our markets, we are not projecting any substantial restocking activity in 2023. We are instead assuming that destocking is substantially finished across all of our markets by the end of the first quarter.

Slide 15 – Eastman specialty products underpinning >$550M of new business revenue from innovation in 2022

One of the bright spots in 2022 was the progress our commercial teams made driving new business wins across our portfolio of specialty products. At its heart, our innovation-driven growth model succeeds by leveraging our deep customer intimacy, application development expertise, and world-class technology platforms to drive growth above our underlying end markets. Even when the global economy is under pressure, we continue to focus heavily on winning new business and positioning ourselves for growth. In 2022, we closed more than $550 million of new business revenue from innovation. This value will contribute to results as we move past most the of destocking after the first quarter. This slide highlights some examples in the key product lines and applications that drove this great success.

First, Tritan™ is growing strongly in food service in Europe as restaurants shift away from single-use plastics, driven in part by consumer preferences and regulations. Food contact applications are ideal for Tritan™, which is clear, tough, temperature resistant, chemically resistant, and BPA-free.

Second, paint protection films are growing globally due to consumer preferences coupled with our strong customer connect, leading brands, and unique service offerings.

Third, our head-up display interlayers continue to grow strongly, leading to improved product mix as our exposure to premium vehicles and auto electrification provide resilience in an

overall auto market that is under pressure. Eastman's leverage to electric vehicles is increasing, with approximately 12 percent of our automotive revenue tied to EVs. And we're growing rapidly, with EV-related revenue up over 70 percent in 2022 vs 2021.

Fourth, Naia™ continues to win in the marketplace as a leading sustainable textile offering for brands. This year, Eastman announced that Patagonia® is offering a limited run of T-shirts made with Naia™ Renew ES — Eastman's latest fiber offering made with increased recycled content — for the outdoor apparel retailer's Workwear line. Beyond this win, we have several other wins with domestic China brands citing sustainability and drape, luxury appearance and cool, dry hand as key reasons to choose Naia™.

And finally, we've had good wins in Tetrasheid™ for metal food packaging. The world is moving away from BPA, and Tetrashield™ is providing customers an answer to package canned foods, vegetables, or beverages with the same kind of durability as epoxy coatings, but with a BPA-free profile.

These five examples are just a few of the many wins we have had over the last year. As 2023 unfolds, we plan to leverage the groundwork we've built in 2022 to drive specialty product growth above our underlying markets and deliver differentiated performance for all our stakeholders.

We are committed to improving our results in 2023 and driving long-term shareholder value through growth in our specialty businesses and accelerating our new vector of growth in the circular economy.

We deeply appreciate how our team fights through every challenge and at the same time keeps their focus on building the future. We are confident in our team's determination to deliver improving performance this year and continue to build our long-term growth platforms.

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 2023. 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-K to be filed for 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.