Slides 1 and 2:

This document is the CEO’s and CFO’s prepared remarks for Eastman Chemical Company’s second-quarter 2023 financial results. This is to be read with the second-quarter 2023 financial results news release and the slides detailing our second-quarter 2023 financial results, both of which were publicly issued and posted on our website (investors.eastman.com) after the close of NYSE trading on July 27, 2023. On July 28, 2023, at 8:00 a.m. ET, Mark Costa, Board Chair and CEO, and Willie McLain, Executive 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 2023 financial results news release, in the remarks in this document and in the accompanying slides, during the call, and in our filings with the Securities and Exchange Commission, including the Form 10-K filed for full-year 2022 and the Form 10-Q to be filed for second-quarter 2023. 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 2023 financial results news release.

Slide 3 – 2Q 2023 highlights

Eastman delivered solid results in the first half of 2023 despite significantly weak macroeconomic conditions. The materials sector across the world continues to underperform the overall economy, and recovery has been slow. Despite this, second-quarter results were in line with our initial expectations. These results came largely due to controllable actions, including disciplined pricing, lower variable costs, and cost-savings initiatives. Compared to our
original expectations, most markets remained weaker than expected, resulting in continued customer inventory destocking through the quarter. First-half operating cash flow was also very strong at $408 million, up substantially compared to first half 2022 as we focused on maximizing cash in this environment.

We also continue to make good progress on our circular economy platforms across all three projects and we will share more about our continued success on the next slide.

Continuing with sustainability, Eastman is proud to be recognized as part of Forbes’ first-ever Net Zero Leaders List. This list highlights the top 100 U.S. public companies positioning themselves to reduce greenhouse gas emissions and ultimately offset them by 2050. Our teams have been working incredibly hard on these challenging issues and we are honored to be named by Forbes to this important list of Net Zero Leaders.

**Slide 4 – Continued good progress on construction of Kingsport methanolysis facility to serve strong adoption from brands for Renew products**

Moving next to an update on the 2023 milestones for our circular economy platform. First, we continue to make progress with the construction of our Kingsport methanolysis facility. We’ve made substantial progress improving the pace of construction over the last several months, although ramp up took a little longer than we wanted. We are now handing off systems to the operations team as they are completed, which will improve the efficiency of start-up as we complete check out and commissioning in parallel to the completion of the construction. We are also looking for every action we can take to streamline the start-up process. We have a unique advantage in locating this facility at our largest, integrated manufacturing site in Kingsport, which will provide access to a diverse set of resources as we start-up the facility. We are also benefiting from having our pilot plant operational for over two years, which has enabled continuous improvement in the technology. We are now targeting to produce material and realize revenue around the end of the year.
You can see the many customers that are adopting Renew products from our Kingsport methanolysis facility. Currently, many of these brands are purchasing Renew products manufactured using our bridge technology, and they are looking forward to increasing their quantities once the facility is up and running. We’ve also made great progress since our 2021 Innovation Day in closing new opportunities, with about double the number of brands publicly announcing they are adopting Renew products from the Kingsport facility compared with 18 months ago. This progress reflects the strong value proposition created by adding recycled content to our Renew products, even during the current challenging global economic environment.

Moving next to our project in France, where we continue to make great progress. In addition to having secured more than 70 percent of the feedstock needed for the facility, we are also making progress with customers as we transition LOIs to definitive agreements. The current global economic environment is making this more challenging, but brands remain committed to their recycled content goals. In addition, regulations requiring recycled content in Europe are on track to take effect beginning in 2025. As a result, customers remain engaged with projects that are on a timeline that will help them meet both their goals and the regulations. We also continue to make good progress on the engineering and permitting work.

For our second U.S. methanolysis project, we are down to a small number of potential sites for this project. An area of focus as we move forward is incentives, and we are pursuing these at both the state and federal level. There are new federal incentives that have been announced this year that create additional opportunities for our project. We expect to finalize both state and federal incentives before year end. We are also making good progress on front-end and value engineering for the project, as well as permit preparation work. We now expect to make a site announcement before year end.

Slide 5 – Corporate

Second-quarter adjusted EPS was $1.99, up 22 percent from $1.63 in the first quarter and near the midpoint of our original guidance of $1.90 to $2.10. Similar to the first quarter, volumes continued to trend below our original expectations, which were offset by commercial
excellence in pricing resulting in margin improvement with more favorable costs than we expected.

Selling prices were down 2 percent and price/cost was favorable compared to the first quarter as lower raw material, energy, and distribution costs flowed into results. To start the quarter, we expected a modest improvement in volumes, but ultimately sales volume/mix was down 2 percent. Advanced Materials and Additives & Functional Products volumes were approximately flat on a combined basis and reflect a mixed set of end-market trends. Chemical Intermediates sales volume was lower by 8 percent and reflects continued weak underlying demand for industrial and building and construction end markets.

Slide 6 – Advanced Materials

Compared to first quarter, sales revenue was down 1 percent due to 1 percent lower sales volume/mix. Adjusted EBIT increased to $99 million from $86 million in the first quarter. While specialty plastics did see improvement in some of its more challenged markets, including durables and electronics, new rounds of customer inventory destocking, particularly in medical and some packaging applications, kept overall sales volumes muted in the second quarter. Overall, April appears to have been the bottom for volumes in specialty plastics. Improvement is occurring, but at a much slower pace than anticipated. Customer inventory destocking is persisting across some end markets, with weak primary demand extending the destocking cycle.

While demand in existing applications is weak, our specialty plastics team is out doing what they’ve always done well: win applications and grow our business. We have new wins in automotive, power tools, food storage, packaging and commercial housewares that will be incremental to the second half and will contribute to growth when underlying markets recover in the future.

The films businesses continue to perform well and together delivered sequential improvement in adjusted EBIT. We continue to benefit from a recovering auto market this year, particularly for premium vehicles, which are growing ahead of the underlying auto market. Electric vehicles are a very attractive growth market for the advanced interlayers
business, with greater than three times the opportunity per vehicle compared to premium internal-combustion engine cars.

Adjusted EBIT improved primarily due to favorable price/cost as stable prices continued to help return earnings to more normal levels. We also continued to benefit from our cost savings actions. This price/cost benefit was partially offset by asset utilization headwinds in connection with weak demand and our own inventory actions.

As we move into the second half of 2023, we expect to see continued improvement in specialty plastics. In our consumer durables, we expect continued weak consumer demand, but less customer destocking as we go through the third quarter, building on the modest improvement we saw in second quarter. We also expect some residual customer inventory destocking in medical and packaging applications in the third quarter, but to a lesser extent than we experienced in the second quarter. For our films businesses, we expect a modest improvement in underlying automotive OEM builds in the second half of the year compared to the first half.

Price/cost is expected to continue to be a meaningful positive in the second half, but this benefit will be partially offset by asset utilization headwinds. In particular, our action to lower operating rates to reduce inventories is expected to be a $40 million headwind in the second half compared to the first half, with all of the impact in the third quarter. Considering all these factors together, we now project Advanced Materials adjusted EBIT to be between $400 million and $430 million for full-year 2023, with adjusted EBIT in the second half of the year meaningfully higher than in the first half.

**Slide 7 – Additives & Functional Products**

Compared to the first quarter, sales revenue was down 4 percent due to 4 percent lower selling prices. The lower selling prices were mostly due to cost pass-through contracts in care additives and functional amines. Sales volume/mix was flat. In building and construction, we did not see a seasonal improvement and customer inventory destocking continued through the quarter. We also saw the start of customer inventory destocking in the agriculture end market. Safety-stock inventories in agriculture were built throughout the supply chain in 2022, and this
customer destocking is being exacerbated by reduced demand due to dry weather. These factors were offset by the fulfillment of a heat transfer fluid project in June and ongoing demand recovery in aviation. Adjusted EBIT increased to $140 million from $124 million in the first quarter. The favorable EBIT impact of the heat transfer fluid project in the second quarter was approximately $15 million. This project was originally projected to be fulfilled in the second half of the year. Price/cost was favorable as lower selling prices were more than offset by lower raw materials, energy, and distribution costs.

In the second half of 2023, underlying business fundamentals and primary demand are expected to be stable at current levels. We expect our underlying business volumes to improve from first-half levels across several markets, including personal care and water treatment with moderating customer inventory destocking. However, volume will be somewhat lower in the second half compared to the first half due to two factors. First, the timing of the heat transfer project is a net $30 million EBIT swing between the second and third quarter. Second is customer inventory destocking for the agriculture end market, which started in the middle of the second quarter and is accelerating in the second half.

Additives & Functional Products will also get a portion of the utilization impact of inventory actions in the second half of the year, which are most pronounced in the third quarter. Compared to the first half, price/cost is expected to moderate due to the catch-up of cost pass-through pricing resulting from lower variable costs. When putting all these factors together, we expect full-year 2023 Additives & Functional Products adjusted EBIT to be between $400 million and $430 million.

Slide 8 – Fibers

Fibers sales revenue increased 7 percent in the second quarter compared to the first quarter primarily due to higher sales volume/mix. Selling prices were up 1 percent. The sequential increase in sales volume/mix included growth in our textiles business. Year over year, textiles volume/mix grew a low-double-digit percent compared to the underlying market, which was down approximately 20 percent. Our compelling sustainable value proposition for our Naia™ textiles continues to win market share. Adjusted EBIT of $106 million increased
from $94 million in the first quarter, driven by lower variable costs, which continued to flow into results, and improved volume.

For full-year 2023, we expect Fibers adjusted EBIT to be approximately $400 million. This implies a modest step down from second-quarter levels of profitability in the second half of the year, mostly driven by the catch up of formula-based pricing relative to lower costs.

We continue to be very proud of the Fibers team for demonstrating commercial and operational excellence to deliver very strong earnings and cash generation in the first half of 2023. We are confident in earnings stability at these levels, which is a testament to strong business fundamentals. We remain committed to our strategy to be a secure and reliable supplier to win with our strategic customers. This strategy has enabled us to build and sustain strong momentum, and we are confident we will deliver stable value creation going forward.

We have already committed or contracted >75 percent of our supply for 2024 as we focus on delivering supply continuity with key tow customers through multi-year agreements. We remain optimistic in market adoptions and growth for our Naia™ textiles as we continue to operate at high utilizations in our textiles’ assets. We expect to complete almost all of the 2024 tow contracts and commitments in third quarter and continue focusing on growth opportunities in textiles and the cellulosic stream.

**Slide 9 – Chemical Intermediates**

Compared to the first quarter, sales revenue was down 13 percent due to 8 percent lower volumes and 5 percent lower selling prices. Adjusted EBIT of $39 million was modestly lower than first quarter. Sequentially, volume trended below April expectations, with weakness in building and construction, industrial, and durables. These headwinds were offset by lower raw material, energy, and distribution costs more than offsetting lower selling prices. On a year-over-year basis, lower volume was partially due to substantially strong volume in the prior-year period as Chemical Intermediates business teams responded to tight market conditions and several competitor outages.
In the second half of the year, we expect volume to modestly improve. Some areas of incremental weakness are expected to more than offset improved volumes due to reduced customer inventory destocking in some markets including food, feed, and pharma. We also expect to benefit from the resilience of our acetyls business, which consists mostly of acetic anhydride and is performing well relative to the underlying market. Spreads in the second half are expected to be modestly lower than first half. When considering these factors together, we expect Chemical Intermediates adjusted EBIT in the second half to be similar to the first half of approximately $80 million.

**Slide 10 – Cash flow and other financial highlights**

Eastman continues to prioritize the generation of strong cash flow in 2023. Operating cash flow for the first half of 2023 was $408 million, an increase from $262 million in the first half of 2022. We continue to expect to generate approximately $1.4 billion of operating cash flow in 2023. In the second quarter, we reduced operating rates to deplete inventories, but underlying volume trends continued to be weak. As a result, inventories in the second quarter were similar to the first quarter. For the full year, we expect working capital to be a source of cash of approximately $100 million, versus a consumption of approximately $300 million in the prior year, with a particular focus on driving inventory reductions in third quarter. The utilization impact of reducing $300 million of inventory from current levels by year end is expected to result in a $75 million EBIT headwind in the second half of 2023.

We remain well positioned to navigate through economic uncertainty with sufficient liquidity, and we remain committed to our solid, investment grade balance sheet. Priorities for use of cash remain unchanged and include organic growth investments, funding our dividend, bolt-on M&A, share repurchases to offset dilution, and net debt reduction. We continue to expect capital expenditures to be approximately $800 million in 2023.

**Slide 11 – End markets**

While there are pockets of residual customer inventory destocking and weakness across some end markets that will play out in the second half of the year, we are generally encouraged that many of our end markets are showing modest improvement. In auto, we
project mid-single digit percentage growth in global light vehicle auto OEM production in 2023 compared to 2022. We expect to continue to benefit from the favorable trends in this market and drive product mix improvement with our leverage to the fast-growing premium end of the market. In consumer durables and electronics, volumes are slowly improving as customer inventory destocking is moderating and we are assuming primary demand remains stable at current levels. In building and construction, volumes are expected to be similar in the second half as demand remains similar to second quarter levels and customer inventory destocking continues. In agriculture, customer inventory destocking started abruptly in the middle of the second quarter, and this inventory adjustment is expected to accelerate in the second half of the year.

**Slide 12 – Second half 2023 sequential outlook**

As we enter the second half of the year, our expectations for demand improvement are substantially lower than back in April, with improvement in price/cost somewhat better. On the price/cost front, we expect commercial excellence in pricing to continue through the back half, and we will benefit from the continued cost flow-through of lower raw material, energy, and distribution costs. We are demonstrating the strength of our specialty value propositions and the improved industry structure in Fibers. We also remain committed to reducing our costs by approximately $200 million. These cost actions are expected to have a $50 million benefit in the second half relative to the first half.

In the second half of the year, we have two headwinds relative to our expectations in April. First, we expect only modest volume growth instead of the higher growth we anticipated in April. We still see solid growth in the auto and aviation markets. We also expect demand in some of our stable markets, such as personal care, medical and water treatment, to be similar to current levels, as destocking seems to have mostly completed. However, we expect less growth in some of our other markets. In the consumer discretionary markets, such as durables and building and construction, we see destocking lasting longer than expected but to a lesser degree in the second half than the first. Many customers were anticipating some normal seasonal improvement in the middle of the year and some recovery in China. As these
assumptions did not materialize through the second quarter, our customers through retail decided to reduce their expectations of demand to be similar to first half for the rest of the year and are taking additional inventory reduction actions. With that said, primary demand appears to be stable at a current levels and we can see less destocking every month since April. In two stable markets within the Additives & Functional Products segment, we also have some headwinds. As we mentioned, we have a $30 million headwind from first half to second half due to the timing of a heat transfer fluid project, and we expect accelerated destocking in the ag market due to unnecessary safety stock from last year.

Second, given the lowered expectation of volume growth in the second half, we are taking aggressive actions to reduce inventory across the company to prioritize delivering our $1.4 billion of operating cash flow. These inventory reduction actions will create a utilization headwind of $75 million in the second half compared to first half. Approximately $40 million of this headwind will be in Advanced Materials and the remainder will be spread across Additives & Functional Products and Chemical Intermediates.

We continued to expect the impact of our cost-savings actions to be largely offset by pre-production expenses related to the Kingsport methanolysis facility and other growth investments.

Putting it all together, we now expect adjusted EPS to be between $6.50 and $7.00 for 2023. As we consider the shape of the back half of the year, we expect third-quarter EBIT to be down by $50 to $75 million from second-quarter levels, which is due to the approximately $50 million sequential headwind resulting from our inventory reduction actions in the third quarter and the approximately $30 million impact from the previously mentioned timing of the fulfillment of a heat transfer fluids project. A partial offset to these factors is expected to be modestly higher volume and mix.

Lastly, once again we expect to demonstrate the strength of our cash flow generation in all environments, including the currently challenging macroeconomic environment, by generating approximately $1.4 billion of operating cash flow. As previously mentioned, we are taking actions to prioritize cash this year and believe that strong cash generation is
foundational to our corporate strategy. I would note that our conversion of adjusted EBITDA into operating cash flow is expected to be strong this year. Adjusted EBITDA includes the non-cash headwind of $75 million due to inventory reduction actions.

Forward-looking statements

This information and other statements by the company may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to, among other items: projections and estimates of earnings, revenues, volumes, pricing, margins, cost reductions, expenses, taxes, liquidity, capital expenditures, cash flow, dividends, share repurchases or other financial items, statements of management’s plans, strategies and objectives for future operations, and statements regarding future economic, industry or market conditions or performance. Such projections and estimates are based upon certain preliminary information, internal estimates, and management assumptions, expectations, and plans. Forward-looking statements are subject to a number of risks and uncertainties, and actual performance or results could differ materially from that anticipated by any forward-looking statements. Forward-looking statements speak only as of the date they are made, and the company undertakes no obligation to update or revise any forward-looking statement. Other important assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements are detailed in the company’s filings with the Securities and Exchange Commission (the “SEC”), which are accessible on the SEC’s website at www.sec.gov and the company’s website at www.eastman.com.