Eastman 3Q 2023 Financial Results Prepared Remarks
October 26, 2023

Slides 1 and 2:

This document is the CEO's and CFO's prepared remarks for Eastman Chemical Company's third-quarter 2023 financial results. This is to be read with the third-quarter 2023 financial results news release and the slides detailing our third-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 October 26, 2023. On October 27, 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 third-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 third-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 third-quarter 2023 financial results news release.

Slide 3 – 3Q 2023 highlights

Eastman delivered solid results in the third quarter of 2023 despite continued weak macroeconomic conditions. In our focus to generate strong operating cash flow, the Eastman team acted decisively to lower operating rates and reduce inventories, resulting in greater than

$500 million of operating cash flow for the quarter. We are encouraged that sales/volume mix stabilized compared to the second quarter, driven by the end of destocking across many key end markets, including consumer durables, water treatment, and personal care, offset by continued destocking in agriculture, medical, and packaging. Underlying markets remain weak but stable.

Another highlight is the solid work of our teams to deliver resilient pricing by defending the value of our products with discipline and commercial excellence. In the auto market, Eastman's premium products are growing strongly this year. In our premium interlayer products, we continue to outperform the underlying market driven by our leverage to premium models and electric vehicles. In our highest-value line of interlayers, we expect to grow volumes high-teens-percent in full-year 2023, significantly higher than underlying builds as we continue to upgrade our mix and win in the marketplace.

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.

At the end of the third quarter, we announced a definitive agreement to sell our Texas City operations, located in Texas City, Texas, to INEOS Acetyls. The total sales price of $490 million consists of approximately $415 million in cash at closing and the remainder in equal installments on the first and second anniversaries of the closing. The majority of proceeds from the divestiture in the near term are expected to be used for debt repayment. We expect the sale to be accretive to adjusted earnings per share in 2024 and expect to close in the fourth quarter of 2023. This attractive deal is another example of our disciplined approach to portfolio management.

Finally, Eastman is proud to be recognized on two prestigious lists for our leadership in innovation. On Fortune's Change the World List, Eastman was ranked number 17 as a "recycling revitalizer" out of 59 companies on the list of this year's honorees. The Change the World list recognizes companies that have had a positive social impact through activities that are part of their core business strategy. We are also thrilled to be recognized as part of 3BL's Top 100 Corporate Citizens listing for 2023. The ranking recognizes outstanding

environmental, social and governance (ESG) transparency and performance among the 1,000 largest U.S. public companies. Eastman was ranked number 16 on the 2023 list overall and number two in the materials sector.

Slide 4 – On track for fourth-quarter 2023 start-up of the world's largest polyester molecular recycling facility

Moving next to an update on our circular economy platform. These are exciting times at our Kingsport site as we progress toward starting up the world's largest polyester recycling facility. Approximately 90 percent of the systems for the facility have been successfully hydrotested. Our operations team has been commissioning systems for the last several months, with those activities now accelerating. More than 50 percent of plant systems have been turned over to the care and custody of operations, and we expect this will increase to 100 percent within the next three weeks. In addition, the mixed plastics processing facility is operational. We have built approximately 25 KMT of waste polyester that is ready for the methanolysis plant startup. Most importantly, this progress has been accomplished safely, and safety remains our top priority. We continue to expect to produce material and realize revenue from the facility around the end of the year, which is key a milestone for the circular platform. There is a talented, dedicated cross-functional team that is making this happen; and we appreciate their hard work and personal sacrifice to get us to this point and for what they are doing to successfully start up the facility.

We are also making great progress on our project in France and our second U.S. methanolysis project. For the project in France, we continue to work with customers to transition from letters of intent to definitive agreements, with brands remaining committed to their recycled content goals. We are also making good progress on engineering, permitting, and incentives. For the second U.S. project, progress continues on both state and federal incentives, as well as on front-end value engineering and permit preparation.

Slide 5 – Corporate

Third-quarter adjusted EPS was $1.47, down 26% percent from $1.99 in the second quarter. EBIT of $256 million declined $80 million compared to second quarter 2023. Similar to the first half of the year, volume continued to trend below our original expectations. In this challenging environment, Eastman teams remained committed to generating strong operating cash flow, including significantly reducing inventories, which resulted in an asset utilization headwind of approximately $75 million in the third quarter.

Sequentially, revenue declined 2 percent as 3 percent lower selling prices were offset by 1 percent higher sales volume/mix. The decline in selling prices was driven mostly by Chemical Intermediates and cost-pass-through contracts in Additives & Functional Products. EBIT decreased predominantly due to asset utilization headwinds resulting from our actions to aggressively reduce inventory and less favorable product mix. Weaker product mix was also an impact, driven by decreased AFP sales of high-value specialty fluids and functional amines for agricultural applications modestly offset by increased sales of lower-margin Chemical Intermediates products. Overall, price/cost was stable as spread declines in Chemical Intermediates were offset by favorable price/cost in Advanced Materials and Additives & Functional Products. Our aggressive cost reduction actions are helping to offset some of these earnings headwinds.

Slide 6 – Advanced Materials

Compared to second quarter, sales volume/mix was up 2 percent, and selling prices were lower by 1 percent. EBIT decreased modestly to $93 million, down from $99 million in the second quarter. A modest improvement in sales volume/mix, improved price/cost, and continued benefits from the flow through of our cost reduction actions was more than offset by an approximately $40 million asset utilization headwind resulting from our actions to aggressively reduce inventories in the quarter.

In specialty plastics, volumes in consumer durables were up approximately 15 percent sequentially, continuing the positive momentum in the volume recovery after significant destocking that started over a year ago. Across other markets, including medical and

packaging, destocking began later and continues. When putting it all together, volume/mix in specialty plastics were up sequentially but remained challenged.

In advanced interlayers, volumes were slightly lower sequentially as a result of continued weakness in the building and construction end market. In performance films, the lack of improvement in China's auto market impacted volume.

In the fourth quarter, primary demand across our markets remains muted. Although destocking appears to be substantially complete except for medical and packaging, customer sentiment is weak, and customer buying patterns remain cautious. Improvement across specialty plastics markets has continued at a modest pace. We expect the continued recovery of volume from the lack of destocking will be offset by normal seasonal declines, including in consumer durables. In performance films, we also expect a lower fourth quarter due to normal winter seasonality. Tailwinds from improved asset utilization for inventory management compared to the third quarter will be partially offset by approximately $20 million of higher costs from planned maintenance. When putting this all together, we project fourth-quarter adjusted EBIT to be slightly higher than third-quarter levels.

With our fourth-quarter guidance, we now project Advanced Materials adjusted EBIT to be between $370 million and $390 million for full-year 2023, inclusive of a $35 million headwind for foreign currency exchange rates.

Slide 7 – Additives & Functional Products

Compared to second quarter, sales volume/mix decreased 6 percent, and selling prices decreased 4 percent. Sales/volume mix was lower driven by continued aggressive customer inventory destocking in the agriculture end market and a strong second quarter for specialty fluids due to the timing of the fulfillment of a heat transfer fluid project. Lower selling prices were driven by cost-pass-through contracts in care additives and functional amines. Compared to our third-quarter expectations for the segment given back in July, destocking in the agricultural end market was more severe than expected but was more than offset by modestly better price/cost and favorable order timing in specialty fluids, resulting in a modest pull-forward from the fourth quarter.

EBIT decreased to $105 million from $140 million in the second quarter. The decrease was driven by lower sales volume/mix. Aggressive inventory reduction actions resulted in higher asset utilization costs, but these costs were partially offset by continued flow through of our corporate cost reduction actions.

In the fourth quarter, we project that EBIT will decline sequentially for several reasons. First, we project normal seasonality in coatings and water treatment end markets. Weakness in the coatings end market is also being exacerbated by significantly challenged building and construction end-market demand in China. Second, destocking in the agriculture end market is expected to persist through the end of the year, where typically the fourth quarter would show a modest recovery in volumes for next year's planting season. And third, some reduction in price/cost is expected as higher oil-linked raw materials flow into results, and prices linked to cost-pass-through contracts lag that impact. Additives & Functional Products is also not expected to benefit from a sequential tailwind in asset utilization rates as inventory management continues. When putting all these factors together, we expect full-year 2023 Additives & Functional Products adjusted EBIT to be approximately ~$425 million.

Slide 8 – Fibers

Fibers sales revenue was flat compared to second quarter, and EBIT increased slightly. On a year-over-year basis, Fibers continues to deliver strong results driven by higher prices and the benefit of corporate cost actions. Textiles also delivered growth, with 10 percent volume/mix growth in a very challenging overall textiles market.

As we look to the fourth quarter, we expect similar levels of EBIT compared to the second and third quarters of 2023. This implies full-year 2023 adjusted EBIT of greater than $410 million, a very strong result for this business. And in 2024, with all of our tow volume under contract for next year and an expectation of continued growth in our Naia™ textiles, we have line of sight to a modest increase in earnings compared to 2023.

Slide 9 – Chemical Intermediates

Sales revenue in Chemical Intermediates increased 3 percent due to a 10 percent increase in sales volume/mix and a 7 percent decrease in selling prices. On a sequential basis, higher volumes were primarily due to increased sales of low-margin export volumes which more than offset weak end market conditions for our core products. EBIT declined compared to the second quarter due to substantial asset utilization headwinds resulting from actions to reduce inventory, $20 million higher manufacturing maintenance shutdown costs, and lower spreads.

As we consider what played out differently from our third-quarter expectations given in July, two headwinds of similar magnitude are important to discuss. The first factor is related to our actions to reduce inventories in the third quarter. As the total corporate earnings headwind resulting from these inventory actions has increased, the amount impacting results in Chemical Intermediates has also increased. The second factor is related to the rise in oil prices and connected raw materials, which increased our input costs, particularly propane. Weak market conditions prevented any incremental pricing actions. The net result is a compression of spreads relative to our expectations.

In the fourth quarter, we expect earnings to improve relative to the third quarter. One factor is expected to be lower planned maintenance costs. We also expect an improvement in asset utilization as we have mostly completed our inventory reductions. Partially offsetting these tailwinds is our expectation of a normal seasonal decline in several end markets, including building and construction. And lastly, oil prices are also expected to remain elevated, and we anticipate a moderation of spreads from third-quarter levels. When putting these factors together, we expect Chemical Intermediates full-year 2023 adjusted EBIT to be greater than $100 million.

Slide 10 – Cash flow and other financial highlights

Operating cash flow for the first nine months of 2023 was $922 million, including $514 million in the third quarter. Despite the weak macroeconomic environment, we expect to approach $1.4 billion of operating cash flow in 2023. Team members from all areas of Eastman's operations rallied around prioritizing strong operating cash flow in the third quarter, and we are proud of the way they delivered. Operating rates were significantly reduced in the third quarter, and we generated these strong cash flows even as volume/mix remained muted. Inventories declined by over 12 percent sequentially and contributed greater than $200 million of cash in the quarter. For the full year, we are on track for working capital to be a source of cash of approximately $100 million, versus a consumption of approximately $300 million in the prior year. The utilization impact of reducing inventories is expected to be approximately $100 million in the second half compared to the first half. This impact is approximately $25 million larger than our previous estimate, mostly driven by the size of the reduction of operating rates against a backdrop of persistently weak demand.

Other financial highlights include a reduction of our forecasted full-year 2023 effective tax rate to 14.5 percent, with some potential upside to be lower. We remain well positioned to navigate through economic uncertainty with sufficient liquidity, and we remain committed to our solid, investment grade balance sheet. Our recent agreement to divest our Texas City site for $490 million further demonstrates our commitment to the highest-and-best-owner mindset for our portfolio. The majority of net proceeds from the transaction are expected to be allocated towards net debt reduction in 2024, with interest expense reduction more than offsetting the impact of divested earnings. 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 – Fourth-quarter 2023 outlook

As we enter the fourth quarter, we expect demand to decline sequentially as the benefit from reduced levels of inventory destocking compared to the third quarter will be more than offset by three factors. First, we expect normal seasonality in key end markets, including building and construction, consumer durables, and performance films automotive applications. Second, customers are also more cautious than normal, given the uncertainties of demand next year. And third, aggressive destocking in the agriculture and medical end markets is expected to persist through the end of the year.

We also face a headwind from the combination of a weak demand and high oil environment that started in the third quarter and continues into the fourth quarter. And finally, we will have start-up costs associated with our Kingsport methanolysis facility.

Tailwinds in the fourth quarter include improved asset utilization rates compared to the third quarter, although we expect only a modest increase in total operating rates as we remain focused on delivering our cash flow commitments. We also expect continued commercial excellence in our specialty businesses to keep price/cost stable in the fourth quarter outside of the timing lag in pricing from cost-pass-through contracts in Additives & Functional Products. And finally, we remain on track to reduce our cost structure by a total of $200 million for the year, net of inflation.

Taking this together, we expect 2023 adjusted EPS to be between $6.30 and $6.50, and for 2023 operating cash flow to approach $1.4 billion. In the fourth quarter, we project adjusted EPS to be between $1.20 and $1.40. We also recognize that there is significant geopolitical uncertainty in the world.

Slide 12 – 2024 tailwinds in an uncertain global macro environment

The global Eastman team is laser focused on delivering a solid fourth quarter, and we appreciate the dedication and persistence of our employees that are hallmarks of our culture. As we near the end of a difficult year, we are excited to head into 2024 with several tailwinds. We also acknowledge that there are a number of substantial macroeconomic uncertainties,

and visibility is low. With that said, the following are base-case assumptions to help provide context for 2024 modeling, alongside some known and controllable items.

First, across our end markets, our base case for next year assumes primary end-market demand remains stable at current low levels. We expect that the global auto market will improve modestly next year, largely consistent with consultant projections for OEM build rates. In consumer durables, we expect primary end-market demand will remain stable at current low levels—maybe it improves modestly. In building and construction, global indicators worsened throughout 2023. On this basis, we expect demand for our building and construction markets will be flat to modestly lower in 2024. Across our stable markets, (examples: medical, water treatment, personal care, and packaging) we expect a modest recovery in primary demand. In addition, we expect the agriculture end market will recover to serve seasonal demand next year. We also expect raw material and energy costs to be similar to this year.

In this cautious macroeconomic scenario, we have a number of tailwinds that give us confidence that 2024 results will improve compared to 2023. We expect volumes to be better in our specialty businesses for three reasons. First, destocking has been a significant driver of the volume weakness in 2023. We believe destocking is mostly behind us in our key end markets, even if primary demand remains weak. Second, we also expect a modest improvement in primary demand for some end markets, including auto, personal care, consumables, and textiles. And finally, we expect our robust portfolio of innovation products to drive volume growth and mix improvement above the growth rates of underlying markets.

Here are just a few examples of these innovative products that are positioned to help us deliver growth in 2024: First, our premium interlayer products, where we have demonstrated double-digit growth rates due to our strong mix improvement and leverage to electric and premium vehicles. Second, our biodegradable Aventa™ product for food packaging provides a sustainable drop-in replacement for polystyrene packaging. Finally, our sustainable textiles offerings, including Naia™, are positioned to outperform the underlying market by winning share versus other materials due to our sustainable value proposition.

We are also excited to start up our methanolysis facility in Kingsport and continue to expect to deliver approximately $75 million of accretive EBITDA growth as we build momentum in our circular economy platform. As a reminder, this EBITDA growth will come through $50 million of growth in Advanced Materials and a $25 million reduction of costs in Other.

An additional $75 million tailwind in 2024 is expected from improved utilization. After a significant inventory reduction in 2023 well beyond the decline in demand to generate cash, we expect to remain disciplined with our inventory levels in 2024. If there is no improvement in volume year over year, simply producing to underlying demand levels and keeping inventories flat will result in an approximately $75 million tailwind in 2024.

Other tailwinds include a modest improvement in Fibers EBIT in 2024 with strong line of sight to these results. With all of our 2024 tow volume under contract, we feel confident we can deliver on this commitment.

We will take actions to drive productivity to keep our corporate cost structure flat in 2024 versus 2023, allowing for significant fixed cost leverage as volumes improve, and utilization rates are increased.

In 2024, we will watch closely how the macroeconomic environment unfolds. As of today, we expect to keep capital expenditures under $800 million in 2024, reflecting the uncertainty we face. This level of investment still enables us to fund our key organic growth initiatives, including our circular economy efforts, while also giving us the flexibility to prudently allocate capital to other uses as the environment dictates. The leadership position that we are establishing in the circular economy will enable us to generate strong returns in the near future. As we move into 2024, part of the Eastman story includes an expectation for attractive shareholder returns, all while funding our organic growth investments to support our future.

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.