EASTMAN

Eastman 4Q and FY 2025 Financial Results Prepared Remarks

January 29, 2026

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 2025 financial results. This is to be read with the fourth-quarter and full-year 2025 financial results news release along with the provided slides which detail our fourth-quarter and full-year 2025 financial results. The aforementioned items were publicly issued and posted on our website (investors.eastman.com) after the close of NYSE trading on January 29, 2026. On January 30, 2026, 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 fourth-quarter and full-year 2025 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 2024 and the Form 10-K to be filed for full-year 2025. 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 2025 financial results news release.

Slide 3 – 2025 highlights

2025 was a year of dynamic markets and significant uncertainty. In this context, I am proud of how the Eastman team pivoted quickly and decisively to prioritize cash generation in the back half of the year. For the full year, we generated cash from operating activities approaching $1 billion, a clear demonstration of the strength of our cash flow and our resolve to deliver on our commitments despite a challenging environment. We also delivered commercial excellence by defending the value of our products amid a weak economic backdrop, maintaining disciplined pricing. We also took targeted actions to reduce our cost structure. Cost reduction initiatives totaling approximately $100 million in 2025 exceeded our original target of greater than $75 million and reinforced our focus on operational efficiency. We are particularly proud to have increased our dividend for the 16th consecutive year and to have returned approximately $500 million to shareholders through dividends and share repurchases, reflecting our balanced approach to capital allocation.

Innovation is at the heart of our strategy, and we continue to make progress across the company. On the circular-economy front, 2025 was a milestone year – the Kingsport methanolysis facility met its operational goals, producing greater than 2.5 times the quantities achieved in 2024 and contributing about $60 million of earnings versus 2024. In addition, we continue to drive growth across the company from specialty products such as Tritan™, next-generation interlayers for head-up displays (“HUD”), biodegradable Aventa™ in food service, Naia™, and ultra high-purity solvents for semiconductors. We remain confident in the durability of our innovation model and the team’s disciplined execution as we continue to drive value for shareholders. We are well positioned for accelerated growth when the consumer economy regains momentum.

Slide 4 – Corporate

In the fourth quarter compared to the third quarter, sales revenue for the company decreased 10 percent due to 9 percent lower sales volume/mix and 1 percent lower selling prices. Lower sales volume/mix was driven by lower seasonal demand and more than normal inventory destocking due to customers unwinding tariff-related inventory prepositioned in the first half of the year. Adjusted EBIT decreased due to lower sales volume/mix and unfavorable price-cost that was partially offset by improved asset utilization following third-quarter inventory actions and momentum in our cost reduction initiatives. While the specialties were in line with our expectations, adjusted EBIT was below our expectations due to further weakness in Chemical Intermediates and Fibers.

For the full year, sales revenue decreased 7 percent due to 6 percent lower sales volume/mix and 1 percent lower selling prices. Lower sales volume/mix was primarily driven by Fibers acetate tow inventory destocking and industry capacity share adjustments. In the specialties, sales volume/mix was modestly lower due to weakness in consumer discretionary end markets as well as customers unwinding tariff-related inventory prepositioned in the first half of the year, partially offset by modest growth from innovation in this weak environment. Lower selling prices were primarily due to increased competitive activity in Chemical Intermediates.

Adjusted EBIT was lower due to lower sales volume/mix, spread compression in Chemical Intermediates, and lower asset utilization with our focus on cash. Asset utilization was approximately a $100 million headwind compared to 2024, with a significant amount of the impact in Advanced Materials. The net headwind from higher natural gas prices was approximately $50 million in 2025 compared to 2024. These factors were partially offset by the impact of $100 million of cost reduction initiatives, $60 million of incremental earnings from the Kingsport methanolysis facility, and lower variable compensation expense. As a reminder, the incremental earnings growth from the Kingsport facility came through $25 million of benefit in Other and $35 million of growth in Advanced Materials.

Slide 5 – Advanced Materials

In the fourth quarter compared to the third quarter, sales revenue decreased 10 percent due to lower sales volume/mix, reflecting seasonal volume declines and more than normal destocking by customers unwinding tariff-related inventory prepositioned in the first half of the year. Adjusted EBIT increased as higher asset utilization following the prior quarter’s aggressive inventory actions and the impact of cost reduction initiatives were partially offset by lower sales volume/mix.

For the full year, sales revenue decreased 6 percent due to a 4 percent decline in sales volume/mix and 2 percent lower selling prices. Specialty plastics sales volume/mix was relatively flat, as growth from innovation offset a weak consumer durables market and increased customer caution resulting from tariff uncertainty. Lower sales volume/mix in advanced interlayers was driven by weakness in the building and construction end market as well as a strategic decision to cede some low-value architectural market share in Europe. Lower sales volume/mix in performance films was driven by weak consumer discretionary spending in the automotive accessories aftermarket. Selling prices were lower and tracked down with lower raw material prices as we shared some of this value with our customers. EBIT decreased due to lower sales volume/mix, asset utilization headwinds, and higher energy costs partially offset by lower manufacturing costs both from ramping up the Kingsport methanolysis facility and cost reduction initiatives.

Looking at full-year 2026, we continue to make solid progress with our sales funnel for the circular platform and expect those volumes to ramp up throughout the year. We will share more on that in the circular section. We also expect modest growth from innovation across the segment in this weak environment. Advanced Materials will benefit from a meaningful portion of the cost reduction initiatives and substantially higher capacity utilization. Finally, we also expect FX to be tailwind for this segment.

These growth drivers are expected to be partially offset by unfavorable price-cost as we expect prices to track modestly down with lower raw material prices as we share some of this value with our customers. We also expect to have higher energy costs. Putting all of these factors together, we expect full-year 2026 adjusted EBIT to be significantly higher than full-year 2025 adjusted EBIT.

In first-quarter 2026 versus fourth-quarter 2025, we expect some seasonal lift in volume across markets including consumer durables and building and construction. We also expect most customer tariff-related destocking was completed in the fourth quarter. In advanced interlayers, we expect to recover architectural volume as we regain some share with new contracts this year. Finally, we expect additional benefit from the Kingsport methanolysis facility ramp-up and modest growth in specialties with significant growth in packaging applications. These tailwinds are partially offset by higher energy costs. Putting these factors together, we expect first-quarter adjusted EBIT to be significantly higher than fourth-quarter adjusted EBIT.

Slide 6 – Circular Economy Platform remains a key differentiator for Eastman

2025 was a successful year for our methanolysis facility. We made significant progress in operating this facility and made several equipment modifications that increased reliability and overall capacity. We surpassed our expectations on DMT yield by reaching yields as high as 94 percent. After some minor equipment modifications made in our October shutdown, we exceeded 75 percent capacity utilization for the remainder of the year. Overall output was more than 2.5 times higher in 2025 compared to 2024. Earnings contribution from the facility was approximately $60 million higher in 2025 compared to 2024.

On the commercial front, we have executed an amended contract with PepsiCo pulling forward substantial volume into 2026. We are excited about growing with them and appreciate their leadership in the circular economy. Volumes with PepsiCo and other strategic partners will meaningfully ramp up throughout the year. Additionally, there are numerous data points indicating that the decline in mechanical rPET quality is occurring faster than anticipated. Our technology provides a clear solution so we feel confident that our commercial contracting model will continue to gain momentum. For durable applications, we continue to have over one hundred customers and growing, but the rate of new project launches remains slow, consistent with challenges in the underlying market.

As a result of our strong commercial engagement and operational performance, we have confidence in our ability to drive earnings growth from this platform. As a reminder, all growth from the Kingsport methanolysis facility now sits in Advanced Materials. We expect revenue to ramp up throughout the year, contributing between 4 percent and 5 percent to revenue growth in Advanced Materials. This growth is expected to contribute incremental earnings of approximately $30 million.

We also continue to make good progress in advancing options to scale this platform beyond the Kingsport facility. Our ability to debottleneck our Kingsport facility by approximately 30 percent provides us time to develop the best option for our second plant that will be a significantly more capital-efficient path forward for the platform. We do not anticipate any additional ramp up of capital for the next plant in 2026 or 2027.

Slide 7 – Additives & Functional Products

In the fourth quarter compared to the third quarter, sales revenue decreased 8 percent due to 6 percent lower sales volume/mix and 2 percent lower selling prices. Volume declines were due to normal seasonality across our markets. Adjusted EBIT decreased as lower sales volume/mix and higher shutdown costs more than offset cost reduction benefits.

For the full year, revenue increased 1 percent due to 3 percent higher selling prices and a favorable foreign currency exchange impact mostly offset by a modest 3 percent lower sales volume/mix. Selling prices increased primarily due to cost-pass-through contracts adjusting to higher raw material and energy costs. The lower sales volume was primarily due to weakness in the building and construction and automotive refinish end markets, partially offset by growth in stable end markets including water treatment and pharma as well as growth in semiconductors.

EBIT increased primarily due to a lower cost structure partially offset by modestly lower sales volume/mix.

For full-year 2026, we expect segment performance to be similar to 2025. This outlook premises modest growth in stable markets, including aviation, pharma, and water treatment. We expect price-cost to remain stable as our commercial teams continue to defend the value of our products in the marketplace. We also expect to drive growth from innovation in the semiconductor market leveraging our ultra-high purity EastaPure™ solvents Finally, we expect to benefit from cost reduction initiatives as well as a weaker U.S. dollar. While there is a high level of uncertainty in the global economy, we are building our plan around weak building and construction and automotive refinish end markets. Headwinds include continued weak industrial activity impacting heat transfer fluids project fulfillments, and a few discontinued ag products.

In first-quarter 2026, we expect sequential sales volume to improve across the segment with normal seasonal demand recovery, while spreads remain stable and lower shutdown expense provides a cost tailwind. Taking these factors together, we expect first-quarter 2026 EBIT to be up significantly from fourth-quarter 2025 adjusted EBIT.

Slide 8 – Fibers

In the fourth quarter compared to the third quarter, sales revenue decreased 8 percent due to 7 percent lower sales volume/mix and 1 percent lower selling prices. The volume decline was more than expected in acetate tow as customers continued to destock inventory built ahead of tariffs in the first half of the year. Adjusted EBIT decreased due to lower sales volume/mix and lower selling prices partially offset by cost reduction initiatives. For the full year, revenue declined 20 percent due to 19 percent lower volumes and a 1 percent price decrease. Lower sales volume/mix was driven by acetate tow customer inventory destocking and industry capacity share adjustments that persisted throughout the year. Textiles end-market demand also declined mostly due to tariff-related customer demand impacts in Asia and Europe.

EBIT decreased due to lower sales volume/mix, and higher raw material and energy costs, partially offset by cost reduction initiatives.

Looking ahead to full year 2026. Now that we have completed contracting season, we expect a modest decline in acetate tow selling prices and have secured tow volume that is stable compared to 2025. While we expect a modest recovery in the textiles end market, we are also taking actions to drive above-market growth of our high-value Naia™ filament business and are expanding our efforts to win share in lower-value staple applications to drive volume growth and improve cellulosic stream asset utilization. We also expect growth in the biodegradable Aventa™ platform to contribute to volume growth and cellulosic stream utilization. In response to a lower demand environment for acetate tow, we are taking steps to reduce our cost structure and will optimize across our production lines in Tennessee to structurally lower costs. We expect this benefit to ramp up in the second half of the year. Taking all of these factors into consideration, we project Fibers full-year 2026 EBIT to be lower than full-year 2025 adjusted EBIT.

For the year we expect customers to continue buying at the low end of contractual volume commitments and the annual rate of destocking in 2026 to be similar to 2025 levels. Looking specifically at the shape of 2026, we expect the rate of destocking to gradually decline through the year as inventory levels approach target levels. We expect first-quarter 2026 segment sales volume/mix to be modestly above fourth-quarter 2025. We also expect to continue to benefit from cost reduction initiatives, partially offset by modestly lower pricing and higher energy costs. Taking these factors into consideration, we project Fibers first-quarter 2026 EBIT to be similar to fourth-quarter 2025 adjusted EBIT.

Slide 9 – Chemical Intermediates

In the fourth quarter compared to the third quarter, sales revenue decreased 16 percent due to 12 percent lower sales volume/mix and 4 percent lower selling prices. The volume decline was driven by more than normal customer destocking and the impact of an extended cracker turnaround. Adjusted EBIT decreased due to lower sales volume/mix and spread compression partially offset by lower shutdowns and cost-saving actions.

For the full year, revenue decreased 10 percent due to a 5 percent drop in volume/mix and 5 percent lower selling prices. Lower sales volume/mix was primarily due to continued weak demand in the North American building and construction end market and increased volume in low-value export markets as well as an unusually high level of shutdowns. Lower selling prices were primarily due to increased competitive pressure in Asia.

EBIT decreased primarily due to lower spreads resulting from weak end-market demand and heightened competitive activity.

For full-year 2026, we expect higher volume due to substantially lower shutdowns and some modest growth in North America due to reduced imports following customer tariff related pre-buy. The segment will also substantially benefit from our cost reduction initiatives. These tailwinds are expected to be partially offset by the annualized impact of lower selling prices that declined through 2025 and higher energy costs. When added together, these factors point to an improvement in earnings for 2026, but the range of outcomes for commodity markets remains wide.

In first-quarter 2026, we expect sales volume to improve as year-end customer destocking subsides and seasonal demand returns. We also expect a sequential benefit from lower shutdown costs. These improvements are expected to be mostly offset by weaker spreads due to lower prices related to lower propylene prices in fourth quarter. When putting these factors together, we expect Chemical Intermediates EBIT to be modestly up compared to fourth-quarter 2025.

Slide 10 – 2026 outlook

As we discussed in October, we face an uncertain macroeconomic environment. In this uncertainty, we are building our plan around the assumption that the macroeconomic environment will not improve from 2025 levels. We are also not assuming any material escalation in tariffs from current levels. With this scenario, we began taking actions in the back half of 2025 with a strong focus on improving earnings and cash flow in 2026. Those plans are in full force and include a range of actions already shared in October. First, we are reducing our cost structure, building upon the actions already taken in 2025. These actions are now expected to total between $125 million and $150 million, net of inflation. The increase from previous expectations is primarily due to cost reductions in other post-employment benefits plans. The cost actions in 2026 are additive to the approximately $100 million achieved in 2025.

Second, we expect meaningful volume growth from three sources: innovation creating above market growth, wins in targeted applications to improve asset utilization, and more volume to sell in Chemical Intermediates. The largest driver from innovation comes from our methanolysis facility, where we expect to drive 4 percent to 5 percent volume/mix growth from the Kingsport methanolysis facility in Advanced Materials in 2026 and approximately $30 million of incremental earnings. We also are driving growth across the company from specialty products, including Tritan™, next-generation cosmetic packaging, next-generation interlayers in HUD, biodegradable Aventa™ in food service, and high-purity solvents for semiconductors.

Third, we expect between $25 million and $50 million of utilization tailwinds as we have lower shutdowns and the benefits of growth across the portfolio. We also expect a tailwind from foreign currency exchange rates, which is expected to be between $25 million and $50 million, based on current forward curves for the Euro.

Partially offsetting these factors is a $50 million to $75 million headwind from variable compensation expense resetting to a new year. We also expect a decline in price-cost for Fibers as detailed in the Fibers section as well as spread compression in Chemical Intermediates as we carry lower spreads from the back half of last year into 2026. When putting these factors together, we are confident we can improve earnings compared to 2025. Due to this uncertainty, we are not providing a full-year adjusted EPS range.

On cash flow, we expect to generate operating cash flow that is similar to 2025 levels. Compared to 2025, we expect an improvement in cash earnings and tailwinds from variable compensation to be offset by increases in receivables and higher cash taxes.

When looking at the first quarter, we expect a sequential increase in adjusted earnings per share. Tailwinds include solidly improved volume/mix from seasonality and reduced customer destocking from the tariff-related inventory prepositioning dynamic that occurred in 2025. We also expect to have lower shutdown costs. These tailwinds are expected to be partially offset by lower prices in Fibers and Chemical Intermediates as well as a higher tax rate after the tax benefit in fourth quarter. When putting these factors together, we expect first-quarter adjusted EPS to be between $1.00 and $1.20. This guidance does not include the potential impact of ongoing winter storms.

Slide 11 – Taking actions to drive growth in a challenging environment

Over the past several years, the Eastman team has done an outstanding job navigating a challenging global economic environment, but as we begin 2026, we realize we must do more to drive our success as an economic recovery remains to be seen. First and foremost, we are raising our 2026 cost savings target to $125 million to $150 million from our original plan of $100 million. This target, net of inflation, will improve operating costs and go beyond our usual focus on productivity improvement. This increase in our target is partially due to savings in other post-employment benefit plans.

Our central focus has not changed, and we are unwavering in our commitment to driving growth in our specialty businesses through innovation. There are several platforms we are expecting will contribute to growth next year. In Advanced Materials, we expect accelerated revenue growth from our Renew platform, where we are ramping up sales of rPET with flagship brands. We are continuing to build wins for specialty applications, including small appliances, baby products, commercial drinkware, and cosmetics. We will continue to drive innovation for our cellulosic biopolymer platform, which includes biodegradable and Naia™ filament for textiles. HUD interlayers are also expected to grow in 2026 as the platform continues to benefit from the shift in consumer design trends. Finally, we also are driving innovation in coatings, where our EastaPure™ high purity process solvents are aligned to growth in the semiconductor industry.

Given extended duration of market challenges, we are focused on winning applications in opportunistic markets outside of our core specialty markets. to accelerate volume growth and drive asset utilization across our streams. This initiative will span all operating segments, with examples including cellulosic stream products like Aventa™ and Naia™ staple applications. Other focus areas include shrink packaging and heavy-gauge sheet in specialty plastics, and architectural interlayers. We expect to begin seeing these benefits by second-quarter 2026.

Finally, we remain committed to disciplined capital allocation, and as we mentioned on last quarter's call, we will be lowering our 2026 capital expenditures below 2025 spend levels. We currently expect to spend approximately $400 million on capital expenditures this year. This includes approximately $350 million for maintenance capital and allows some flexibility to provide limited growth capital for projects already in progress. We do not expect to initiate any major new growth capital projects in 2026.

We are focused on acting with urgency and taking decisive actions to navigate the current environment and position Eastman for success as our markets improve.

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, capacity and utilization, 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 sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025, and as updated 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